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ABSTRACT

A script for a Small Business Administration Workshop for Prospective Small Business Owners is provided. It contains a content outline, suggested visuals, and a sample narrative. The importance of a smooth presentation of the script is emphasized. Each of the 14 presentations has the time allotted indicated. The presentations concern personal factors; financial factors; sources of capital; organization and planning; opportunity; business regulations, taxes and insurance; records; management; and information, self-training, and outside assistance. (DB)

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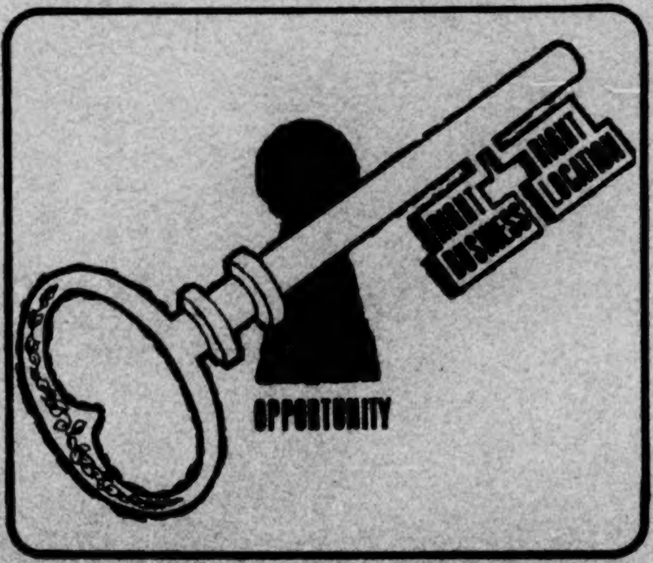
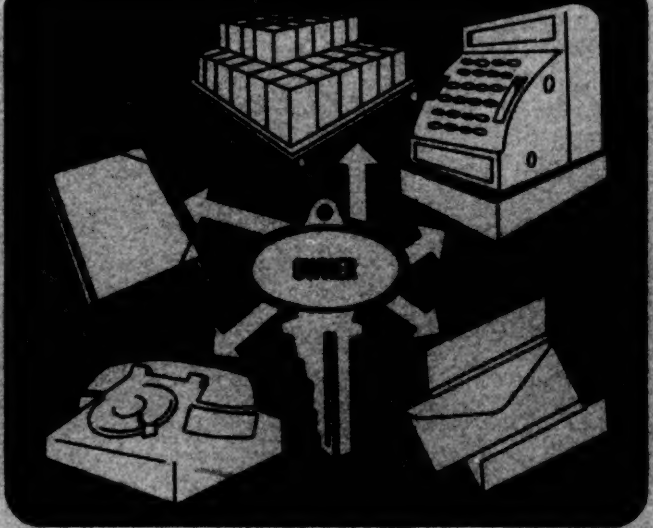
keys to a business success

Workshops For Prospective Small Business Owners





**Small
Business
Administration**

AC012331

KEYS TO A BUSINESS SUCCESS
(A Workshop for Prospective Small Business Owners)

REVISED

1969

Small Business Administration

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FOREWORD * * * * *

Following is a script for a Small Business Administration Workshop for Prospective Small Business Owners. In it is contained a content outline, suggested visuals and a sample narrative. It is not suggested that the user merely read the script to the audience -- rather that he adapt it to his own style of delivery and his ideas which will add the needed element of personal impact. Speakers are urged to prepare their material well in advance of presentation and to rehearse to the point of relaxed confidence.

The importance of a smooth presentation cannot be overemphasized. The pathway of business is fraught with pitfalls and this presentation may be the one best time to make the prospective business person aware of the dangers and responsibilities, as well as the opportunities. Only by attracting and holding the audience's attention and by making the important points to be made, and making them fully, can the potential of the Workshops be fulfilled.

Each of the presentations carries a suggested presentation time listed under the heading of each section. As far as is possible, the presentations should be held to these times in order to keep the Workshop on schedule and allow time for later parts of the presentations.

Before giving a presentation, each speaker must check his section to be certain that he has provided the visuals and the handouts which are referred to in that part of the presentations. Please learn to operate the equipment (projectors) correctly because nothing spoils an otherwise good presentation as much as unprofessional handling of materials and equipment.

One final word -- come early, re-check your materials and get set to give the best talk you ever gave! If you do, your Workshop will be a great success.

MASTER OF CEREMONIES - 1

(time: 1 minute)

THINGS TO DO CONTENT OUTLINE	WHAT TO SAY
(Walk smartly to podium and ask for audience attention)	MASTER OF CEREMONIES:
I. Introduction	Good morning, ladies and gentlemen! Welcome to the Small Business Administration's Workshop for Prospective Small Business Owners. We are pleased to see you here.
A. Objectives	This is a workshop especially for anyone who is thinking of starting a business or who has recently started one. We hope that you will take away from these
1. Determine if you should be in a business	sessions at least three things: (1) the ability to critically determine whether or not you should be in a business for
2. Beginning knowledge/what it takes	yourself; (2) a beginning knowledge of what it takes to successfully run a business; and (3) the sources available to you to help you gain and maintain a profitable business.
B. Good Beginnings	One thing we hope to impress upon you is the importance of a good beginning.

But good beginnings make successful workshops, too, so it gives me pleasure to introduce Mr. _____________, Regional Director (or whatever) of the _____________ Region. He will be your keynote speaker.

KEYNOTER
(time: 7 minutes)

THINGS TO DO CONTENT OUTLINE	WHAT TO SAY
II. The Business of Starting a Business	KEYNOTER: (Pause--if the audience laughs on first line, match their mood with your own and then grow more serious.) You know, I feel a little like General Eisenhower must have felt on D-Day just before the Normandy invasion. Some of you may remember that Eisenhower's order that day said, "You are about to embark on a great adventure." Indeed, that was a very great adventure.
A. Business Is an Adventure 1. Adventure means risks	But you who are starting into business for yourselves are embarking on a great adventure also. What is it that makes business an adventure? Why, the same thing that makes a battle an adventure, or climbing a mountain or any exciting experience. You see, the very definition of "adventure" is that it means taking risks, to face hazards, to speculate.

2. "Venture" also means risks

When we speak of a business "venture" we mean the same thing. There has to be the element of risk and danger or you don't have an adventure or a business venture. May I hasten to add that it is my fervent hope that your "venture" will give you a great victory and that you won't end up as a casualty.

B. Being Here Is Step to Success

The fact that you came today is a good step toward success--not that we hope to make you a master businessman or businesswoman in one day--but rather that you demonstrate that you are anxious to help yourself, and it has been proven many times that people make much of their own success when it comes to business.

I commend you on your decision to take this adventurous step--not only for yourself but for the sake of your community and for all of us. You may not have thought about it, but what you are

C. A Basic American Freedom

about to do in founding a business is a fundamental expression of one of our most basic American freedoms, the right to go into business for oneself, to meet competition and to make a profit! By exercising that right you affirm your faith in the American system. In a sense this freedom to found a business enterprise--to determine your own destiny--is the factor that is necessary to make democracy work because this is the focal point of true independence which is economic independence. We dare not lose this freedom because it is the very heart of America's strength.

D. Importance of Small Business

Have you ever considered how important small businesses are collectively to the nation? Fully ninety-five percent of all businesses in this country are "small." True, "big" business accounts for 60 percent of all business activity but that 40 percent attributed to smaller businesses is important out of all

1. One half the jobs

2. Insures competition and stable prices

proportion to its percentage. Small firms provide nearly one-half of all the jobs, including nonbusiness jobs, in this country. What is more, that figure is rising rapidly as automation in large corporations takes its toll of the regular paychecks which are so necessary to a balanced economy. But even more than that, it is the impact of small business which offers alternatives in business dealings, thereby insuring competition and stabilizing prices. Even the leaders of big business have recognized this importance of small business to the economy.

3. Allows opportunity to economically disadvantaged

There is another point to consider, too. Historically, small business enterprises have offered one of the best roads to economic independence for each of the new ethnic groups in the country. It's almost as if business has been the magic door to opportunity whereby the economically disadvantaged have been able to pull themselves up by their own talents.

4. Expands economy

Besides that, we have all recognized that it is the small business which offers us the fundamental hope for a continued expansion of the nation's economy. It is the small business which offers the needed laboratory in which new products, new ideas and new ways of doing things are most often generated. And, when you consider it, there would be no big business without small business. Big business couldn't function without the small business market to sell to and without small business suppliers.

So fine and good, you say. Starting a business may be good for the nation and your community or ethnic group, but what about you? Well, of course, what is good for the country is good for you.

E. Personal Benefits

But just as importantly, the direct rewards to you are potentially tremendous. I said "potentially" because the real rewards are only for those who are truly

1. Rewards
a. financial
b. personal satisfactions
c. creating an organization

2. Dangers

successful. Don't settle for anything less than real success in your business. The personal rewards for success you already know--financial rewards (all the money you need), personal satisfactions, the creation of an organization by your own design. But for all these worthy goals, the way is not easy. The fact is that of all businesses started this year, half will go out of business before the end of their first year. And by the end of the second year, three out of every four will be gone. These aren't just statistics! With every failure goes the hopes and dreams of people. And usually a big share of theirs and their friends's money disappears with the business. Still it need not come to that--most failures could be prevented by intelligent planning, a little know-how, a bit of outside help, and a lot of hard work.

F. Let's Get Started

So let's get to the job of doing something to help get you started right so that the day you take over the set of keys from the landlord and open the front door, you'll have every chance at success.

1. Keys are symbols
a. independence
b. opportunity
c. resolve

It's a mighty good feeling to one day have those keys in your hands. They aren't just keys to open doors to buildings and drawers--those keys become a kind of symbol of your independence, opportunity and resolve for success. Of course, once you turn that key in the lock on opening day, your life changes. All of a sudden you are an "entrepreneur" with all the status, privilege and responsibilities that it entails. Just by turning a key all that happens.

2. Keys to success

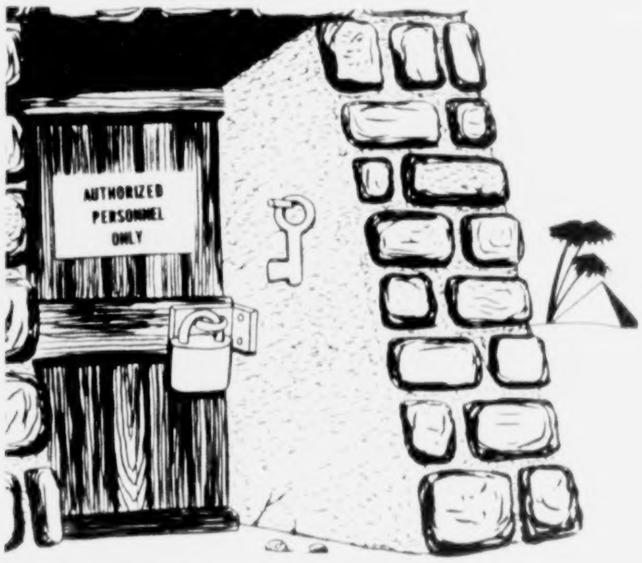
Wouldn't it be wonderful if there were another set of keys that could turn on instant success? Well, there are no magic tricks for that. But there are some "keys" that can help you achieve success. And that's what this Workshop is all about. We hope to give you a set of "practical" keys to success in your own business. Hopefully, you'll keep these keys we hand you today, as handy as you do the ones for your business. May these keys bring you much, much success in your own American business enterprise.

MASTER OF CEREMONIES - 2
(time: 7 minutes)

THINGS TO DO

CONTENT OUTLINE

III. Purpose of Workshop



Workshop Purpose V-1

(Turn off projector!)

A. The Beginning of Business

WHAT TO SAY

It is interesting to note, I think, that the invention of the key--and, of course, the lock--came along at about the same time in the history of man as the invention of organized business. We could say, of course, that business actually began as soon as man learned to barter. But it was the ancient Egyptians four thousand years ago who organized commerce into a business system. As man began to acquire property, the need arose for the orderly trade of that property and for systems of accounting to keep records of transactions. With it, some men began to specialize as bookkeepers and merchants and thus business began. But with its invention and the amassing of property and goods, man needed a way to protect these things of value so the Egyptians invented crude locks for their storerooms that were opened by large metal keys. Since that time keys have symbolized protection in business.

The kind of "keys" which we are going to talk about today are no less involved in protection. These "keys for successfully running a business" are intended primarily to help you protect your investment and then to increase and hold onto that investment.

B. "A List of Keys"

At SBA they think these keys are so important that I am going to ask you to make a list of them today. Perhaps you'd like to actually write out your list--those things that you think will most help you operate a successful business--and at the end of the day I'll tell you what I would put on a list as the most important "keys" and then we can compare our lists. There are some blank pages in the folder we gave you if you want to make your notes and actually write out the list.

C. "Goals for Workshop" **THE KEYS TO SUCCESS** **1. How to Start Successfully** **2. How to Prevent Waste of Financial Resources** **3. Fundamentals of Management** **4. Use of Outside Counsel and Assistance** Workshop Purpose V-2	To get the most of this Workshop, we should set some goals.
1. "How to start successfully"	A first goal for our Workshop is to find out the things that one should do to start a business successfully. As you will soon see, a good beginning is an especially important "key to success".
2. "How to prevent waste of financial resources"	A second worthy goal is to give you some some answers on what you can do to prevent a waste of your financial resources. The operation of a small business these days is fraught with financial pitfalls. We hope you will leave here today with some knowledge of the financial traps that have often weakened or destroyed young businesses. That knowledge will help you avoid the mistakes of others.
3. "Fundamentals of management	Third goal of our Workshop today is to provide you with some fundamental

practices of good management. Even though we don't expect to give you a complete management course today, we hope to alert you to some proven useful practices that you can add to those good management techniques you have already learned in business as employees or supervisors.

4. "Use of outside counsel and assistance."

And our fourth and final goal for this session today is to tell you how you can make use of outside counsel and assistance to help accomplish business success. You may have heard that "advice is cheap" but whether or not you believe that, "information is priceless"! And we will hope to not only give you some valuable information today but tell you where you can go to get more business knowledge.

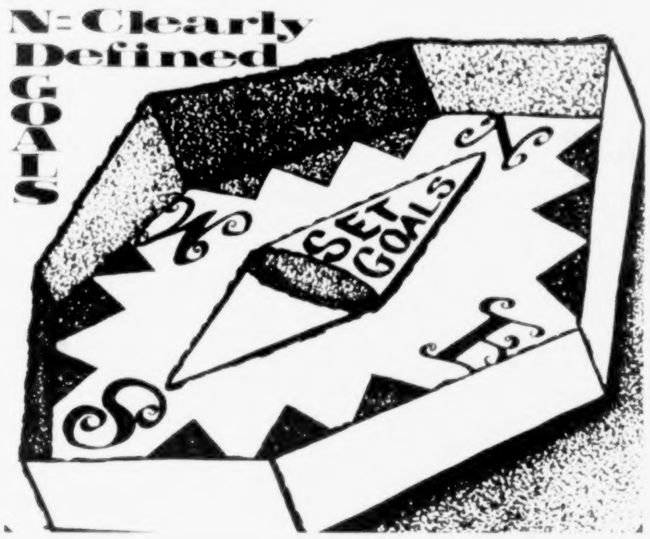
There you have the four goals of Workshop. As you can see we've set a big job for ourselves so we'll have a full day, if we are to accomplish these goals.

(Turn off projector!)

D. Goals Make Success

But I would like to take just a minute to talk about goals for business, generally. If there is one "key" idea that you put down on your list today, I hope it is that success is best achieved at anything you do if you set some clearly defined goals. It seems that no matter what it is we undertake to do--whether it's attend a workshop or go into business--we need direction for our efforts. Without some specific accomplishment to achieve, we are too likely to waste effort or plod along aimlessly. You have to be going somewhere to be successful.

1. Set goals



Workshop Purpose V-3
(Turn off projector!)

2. Analyze goals

ANALYZE
AND DEFINE
GOALS

Workshop Purpose V-4
(Turn off projector!)

3. Define goals

I don't mean setting some broad goal like being "a big success" or "a millionaire". What I mean by setting goals for business is to carefully analyze what it is that would represent a realistic goal for you to achieve at some future date--next year, or next quarter--sometime not in the too distant future. Then define that goal in some specific terms--the gross volume of business, a specific dollar amount of profit or whatever--and then carefully plot a course of action on what things you will have to do to accomplish that goal. If the incentive is strong enough and you are willing to really work to get it, you'd be amazed at the degree of success you will probably receive.

4. Plot course of action

Workshop Purpose V-5

E. "A Case in Point"

I don't have to talk about business to illustrate the point. Take sports for instance. The literature about the great athletes is filled with stories of success because the individual involved set some specific goal that meant so much to him that all handicaps and hardships fell away in the determined effort to reach the goal.

1. A sports example

Take the young Glenn Cunningham as an example. Here was the case of a child born in poverty, handicapped by injuries received in a fire.

The doctors said that Glenn Cunningham would never walk, that he would remain a cripple for the rest of his life. The rest you know. A burning desire to become a great athlete, not only to walk but to run, made Glenn Cunningham one of the greatest Olympic track stars this nation ever produced.

Set goals for yourself in business and be determined that you are going to reach them! Like Glenn Cunningham you will find resources in yourself that you didn't even know you had.

2. An SBA example

So let's get started on finding out some more about what these keys to success are. We can begin by talking about a "key" dear to my heart. One key to success in business, at least we hope, is the Small Business Administration. It's important, we think, to have you know what and who is the Small Business Administration. The range of services and the purpose of SBA are important to the small business community so we've prepared this 13 minute motion picture film to answer some questions you may have. It is called "A Case in Point". Could we have the film, please?

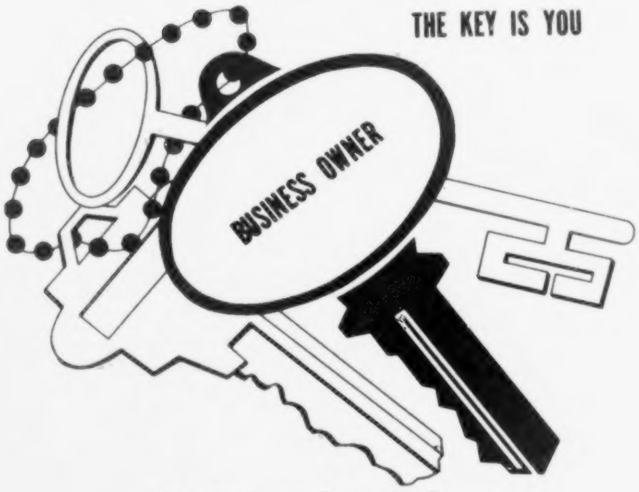
(Arrange for lights to be turned out immediately and for the film to be shown. NOTE: Be sure projector is threaded and amplifier turned on to avoid delay.)

MASTER OF CEREMONIES - 3

(time: 30 seconds)

THINGS TO DO	WHAT TO SAY
IV. The Ignition Key	There you've had the commercial, let's get on with the show.
(Be at the podium as soon as the film music fades out. Set a happy mood. Carry with you the "ignition key" sign identifying the next lecture.)	Remember we are talking about "keys to success in business". And like the keys to locks, keys to success are prepared by locksmiths, too. I'd like you to meet one of our "locksmiths" now, Mr.
(Hand the "ignition key" placard to the oncoming presenter.	______________________________ who is ______________________________ .

"The Ignition Key" - PERSONAL FACTORS
(time: 20 minutes)

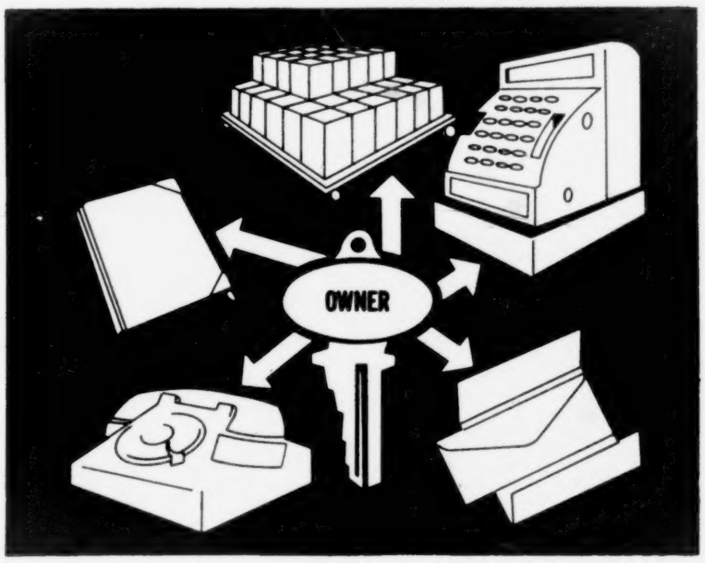
THINGS TO DO	WHAT TO SAY
CONTENT OUTLINE	
V. The Ignition Key (Take the "ignition key" placard from Master of Ceremonies and hang it on the podium. Look at the placard and then turn to the audience.)	Ignition keys are what most of us think of for getting cars started. Of course, sometimes cars won't start. I heard of a lady who was stalled in traffic one time. She sat there turning the key but nothing happened. No matter what she did the car just would not start again. Of course, the impatient motorist behind her began hoking his horn. So the lady quietly got out of her car and went back to him and said, "Sir, my car won't start. What say you go up and turn the key and I'll sit back here and do the honking?"
A. The Key Is You  THE KEY IS YOU BUSINESS OWNER Ignition Key V-1	Well, it takes an "ignition key" to get a business started, too, and to keep it running. The "ignition key" in your business has to be you. Honking won't get a business started. It takes the right key with the right characteristics to make a

business go. In other words a would-be owner has got to have the personal characteristic factors to run a business or else the business will stall and may even have to be abandoned right there in the middle of all that business traffic.

(Turn off projector!)

Success or failure in small business depends almost totally on the strong or weak characteristics of the owner. In most small firms, the owner is the business. The chances are that when you go into a business, it will be you who'll make the decisions, you'll issue the orders and then check to see that they are carried out.

B. Does Many Jobs



Ignition Key V-2

The owner of a new business usually fills many jobs. He handles purchasing and inventory, directs, or more probably, does the selling himself. The owner keeps the books, handles employee complaints and in many cases the owner may even be the entire work force. In a small business, the owner truly is the "ignition key" that makes the business go.

(Turn off projector!)

But it takes more than the key--even the right key with all the right characteristics. Like an automobile there has to be some power behind the key. In a business the power comes from the owner's motivations.

C. Personal Objectives

1. Desire to be own boss

You don't start a business unless you've got some reason to do it--some motivation to be a business owner. The Small Business Administration has done a study to find out why people go into business. Here's a list of Personal Objectives that people gave for going into business for themselves. I'm sure you'll find some that are familiar, but these are by no means all the objectives served. The first objective that this study found was: a desire to be one's own boss. It's a part of the American Dream, I think, to want to be independent and to determine one's own economic destiny. Some experts say this is a distinguishing American characteristic--the drive that makes Americans

PERSONAL OBJECTIVES IN STARTING OWN BUSINESS

1. **Desire to be Own Boss**
2. **Desire to Use Special Skills**
3. **Opportunity to Buy or Inherit a Business**
4. **Security in Having Own Business**
5. **Greater Profit and Increased Income**
6. **Retired and Wishes to Keep Busy**

Ignition Key V-3

the most resourceful and successful people on earth.

2. Desire to use special skills

The second personal objective in starting a business is a desire to use special skills. This is literally the age of the specialist. People specialize because of talent that they have or training that they have received. There is a natural desire of people to do or continue to do what they do best. Often a person is almost forced to go into business for himself in order to practice his skill at all. There may not be a suitable place for the skilled person in another firm. Somehow or other, often inadvertently, the skilled person finds people in need of his services and all of a sudden he is in business for himself.

3. Opportunity to buy or inherit a business

A third objective or reason is realized by an opportunity to buy an existing business or to inherit one. Most people at some time in their life face a decision about buying into a business. An owner dies and a relative may be asked to take over or perhaps a salesman's customer tells him about a business for sale. Unfortunately, this objective misleads many people into the wrong business.

4. Security in having own business

Another objective in starting a business is to achieve security. It may seem strange to you that anyone would seek the responsibility associated with ownership as a matter of economic security. It is popularly held that working as an employee offers greater security than being in business for one's self. But a great many people become business owners, often quite successfully, because they had been subjected to layoffs and cutbacks when they worked as employees.

5. Greater profit and increased income

A fifth objective, common to many business owners, is the desire to obtain greater profit and increased income from one's own labors. The profit motive lies deep in the fabric of American capitalism. The right to earn a profit is a freedom which we enjoy and one which moves many people to "go it on their own".

6. Retired and wishes to keep busy

A sixth reason why people choose to go into their own business is retirement from a career but they want to keep active and busy. Our growing longevity and good health work in an opposite direction from the widespread practice of mandatory retirement at some specific age. It is only natural that an active person wishes to continue a productive life and chooses a business of his own after his age prevents ready employment in other firms. Usually such businesses are based on the hobbies or prime interests of the retiree and like all endeavors benefit greatly from the enthusiasm that the owner generates.

(Turn off projector!)

But in spite of these excellent objectives which singly or collectively motivate a person to go into business, they alone are not enough to guarantee business success. An automobile has its power when it has a battery, but this alone won't make a car go.

Our Keynoter has already told you that "three out of four businesses that start today won't even be in business two years from now." The question is why?

WHY 13,514 BUSINESSES FAILED IN 1965*

Neglect	3.8%
Fraud	1.8
Lack Experience in Line	9.9
Unbalanced Experience	21.4
Lack Managerial Experience	18.8
Incompetence	41.3
Disaster	1.2
Unknown	1.8

*Patterns for Success in Managing a Business, Dun & Bradstreet, Inc., New York, 1967.

Ignition Key V-4

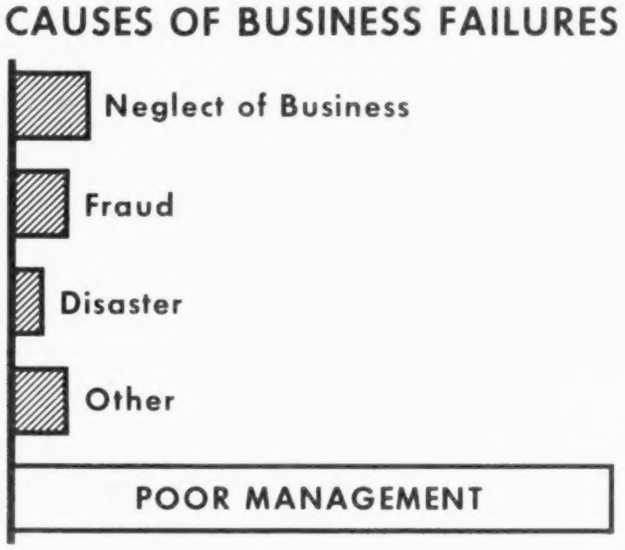
Well, the evidence shows that failure is largely a matter of personal factors--the very things we have been talking about. In 1965, Dun and Bradstreet made a study of 13,514 businesses that failed that year. The biggest cause by far was "incompetence", 41.3 percent. And notice that 21.4 percent failed for lack of balanced experience, 18.8 percent because of a lack of managerial experience and 9.9 percent failed because they lacked experience in that line of business. In other words,

(Turn off projector!)

91.4 percent of the business failures studied--12,552 individual businesses--failed because the business owners lacked the personal characteristics which it takes to operate a business successfully.

I'm sure that in most of the cases in the study there was good motivation, at least at the start.

D. Why Businesses Fail



Ignition Key V-5

So why did all those firms fail? Well, here again other studies give us additional proof. One study of grocery store failures showed that 60% of the owners had had no previous management experience. Forty percent of the restaurant owners had no previous experience, and neither had 44% of the filling station operators.

(Turn off projector.)

So it's pretty evident, isn't it, that businesses fail from lack of experience? An interesting sidelight on this is that those who were successful in business invariably had some kind of management background although not necessarily in the same kind of business.

1. Need training

In view of all of this we can certainly conclude that one personal factor which must be considered is management training. I would urge every prospective business owner to postpone his plans for owning a business until the time comes when he has obtained actual management experience. Of course, if the experience is in the same line, so much the better.

2. Ignorance of business operation

Still another study done for SBA showed that a second reason for frequent failures is that the failing firms did not attempt to study and evaluate profitable opportunities, cost factors, sales volume, competition and marketing factors. In other words, businesses often fail because of the owner's ignorance of his own business operation. But don't think for a minute that such evaluations of a business are so complex that the average beginning businessman is bound to fail because he can't do it. On the contrary, the reason seems to be that the unsuccessful businessman just didn't bother--it wasn't that he couldn't study the factors that his business depended upon.

a. study periods every day

The best advice I can think of in this respect is, when you do go into business, set aside a specific period of every single day for planning and evaluation. Preferably these times will be uninterrupted morning hours when you are well rested and not caught up in the problems of the day.

b. Study costs, prices, scheduling

If you get in the habit, right from the start, of spending some time studying your costs, prices, scheduling, and asking yourself questions about them, you'll be adding the important evaluation ingredient we are talking about.

3. Other factors

There are still other reasons why businesses fail, such as too little capital, poor organization, obsolescence of products or machinery, poor personnel practices and a lot more. But those are things you will hear about in other sessions today.

4. Personal characteristics

Suffice it to say for now that among the very important reasons for business failures is the owner himself--the personal characteristics we started talking about.

By the same token, we have only to look at any successful business to see that an important part of its success comes from the personal ability of the manager or at least from those qualities in some person in a position of authority in the firm.

E. What Makes a Good Business Manager

1. Personal Characteristics

Well, for that one, SBA went to successfull small businessmen themselves and asked for a list of the personal characteristics which were most important to business success. The list is worth considering. Before you decide to be an owner-manager, ask yourself whether you will work long hard hours; whether you have an understanding of others; if you are willing to take a chance; whether or not you can take it when the going gets rough (as it certainly will at times); whether you are the kind of person who tries to do the right thing; whether or not you are honest; whether you are good at making decisions; whether or not you are a good salesman or can become one, and finally whether or not you have the spirit that it takes to meet competition?

I think I would add one personal factor to this excellent list. That is that a good manager keeps up with what is going on. We'll have a lot to say later about keeping an open mind about ways of doing things and going after the information you need continually to make a success of business.

(Pick up Rating Sheet and show it to the audience.)

a. Rating scale

But let's carry this matter of personal factors for business success a little farther. In your folder you'll find a single page that is titled: "Rating Scale for Evaluating Personal Traits Important to the Proprietor of a Business". At the bottom left hand side it should say SBA Form 593. When you find it take it out. Has everyone got it handy?

This Rating Scale was built up out of a study of many small businessmen who started like yourselves. Studies over a number of years have shown that these are the traits that most often lead to business management success. They are listed down the left column: initiative, attitude toward others, and so forth.

(1) self-test

Do you want to find out how you stack up as a potential business manager? Well, this self-test may help. Let's fill it out. Take that line "initiative". Notice that under the line for initiative is a series of descriptions. At the left it says, "additional tasks sought; highly ingenious"; then over to the right it says, "resourceful, alert to opportunities" and then farther over "regular work performed," and so on. Well, pick out the statement there that best describes your initiative. And mark an "X" or a check mark over the statement that best describes you. If you think you're between two of the statements put the mark there.

Be honest about your answers--these are for your private use only so no fair copying what the other guy puts down. After you've picked a place to mark your "initiative" drop down to the line that says "attitude toward others" and find the statement to the right which best describes you. Notice if you will that the statements are matters of degree--the most positive statement to the left. Any questions so far? Now, go on to "leadership". Are you an order giver? A driver? Or are you "forceful"? If you don't think you fall exactly on any one of them, maybe you'll want to put the mark in between. Is everybody with us so far?

Well, let's take a few minutes and mark the rest of the Rating Sheet. (Allow 5 minutes for the participants to answer all the Personal Traits.)

Is everyone finished? Well, take this rating sheet home with you. You may

(2) evaluation

wish to ask another person to give their evaluation of your personal characteristics. Hopefully, most of your marks will lie well to the left hand side of the Rating Sheet. That would be a pretty good indication of your personal qualifications for running a successful business.

But don't necessarily give up if you find that a few marks end up over toward the right side. You might still be able to achieve success but it will be harder. One thing no one has ever successfully measured is motivation. Enough of it and you may become what the psychologists call an "over achiever", one who succeeds beyond their basic abilities. Of course, even a very high score on the Rating Sheet is no guarantee and it takes a great deal more than the personal qualifications to be a success.

One way you might use this rating scale is to locate your definite weaknesses. Maybe you'd do well to find an associate or an employee who is strong on the points where you are weak. Nobody said you can't start an ignition with more than one key, providing the lock is designed for it.

THE IGNITION KEY

Ignition Key V-6

Let me sum all this up by saying that before you invest your and others' savings in a new enterprise, it is wise to take a long, hard look at your own abilities. Can you honestly say that you will make a profitable business manager? Will you be the ignition key to make your business go? (Pause)

(Leave projector on as you leave)

MASTER OF CEREMONIES - 4

(time: 60 seconds plus coffee break)

THINGS TO DO	WHAT TO SAY
(Turn off projector with the cartoon slide.) VI. Coffee Break	Well, we've made a good start on getting together our keys for business success. But I think we've earned a coffee break. Coffee is available at ________________ ____________________.
	The restrooms are located at ________.
	It is now _______ o'clock and we will start again promptly at ________. So please return promptly. Thank you.
	ALLOW TIME FOR COFFEE BREAK
	It looks like everyone made it back. So let's continue looking for the keys to success.
VII. Financial Factors	The next gentleman you will hear from is going to talk about one of my favorite subjects--money. I am pleased to introduce _________________________ from our ____________________________.
	Let's hear how money is a key to success.

"The Golden Key" - FINANCIAL FACTORS
(time: 30 minutes)

THINGS TO DO	WHAT TO SAY
CONTENT OUTLINE VII. Financial Factors (Take the key placard with the session title and hang it up on the podium.)	Every time I get before a group like this, I can't help remembering the words of an old farmer whom I encountered about the time that I finished college and thought I knew everything. He said to me, "If you're so gol-darned smart, how come you ain't rich?"
	Well, my subject today is "Financial Factors in Starting a Business" and I want to start by saying that I am neither rich nor do I know everything there is to know about financing. In fact the more I study the subject, the more convinced I become how little anyone really knows this subject because it is so complex and ever-changing. But I have specialized in the subject now for ______ years and I do know that being smart about financial planning may not make you rich but it will certainly help you hold on to what you've got.

As you can see by the title of this session we call financial factors the "Golden Key" to success in business. It is significant I think that of all the reasons for business failures, the most common one is simply that the business didn't have enough money to sustain the life of the business. A little while ago you heard some excellent ideas about what it takes to be a successful businessman. We said to you that you've got to have good reasons for going into business and then you've got to have the personal traits that it takes to run a business. But we've got a third consideration to add to those--you've got to have the initial financial requirements or you will surely fail as surely as you would if you lacked the ambition and the ability to be a business success.

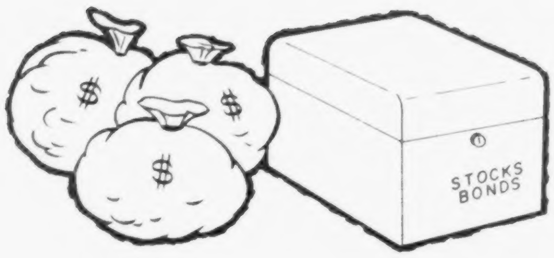
$ $ $
it takes money to make money

Golden Key V-1

(Turn off projector!)

A. Need for Capital

In fancy business language we say you've got to have "capital" to run a business and



CAPITAL REQUIREMENTS

1. FINANCIAL SUPPORT FOR YOU AND YOUR FAMILY
2. CASH TO SET UP AND START BUSINESS
3. MONEY RESOURCES TO OPERATE, GROW AND MEET UNFORESEEN NEEDS

Golden Key V-2

what we mean is you've got to have enough money or available sources of money to do three things: provide financial support for yourself and your family; (adequate cash) to set up and start the business; (and money resources) to sustain business operations, growth and to take care of unforeseen money requirements. Only the question is just how much is it going to take you to provide for these capital requirements in your business? That is really what you are interested in, isn't it, the answer to how much money will it take? Well, let's find out.

(Turn off projector!)

B. Personal Income Requirements

(Hold up a copy of "Family Cost of Living Budget"--Form 593)

During the coffee break I put a packet of papers on top of each of your folders. The top one is titled, "Family Cost of Living Budget". Does everyone have that page?

Even though I know you may not have all the figures available with you now, I want you to take a few minutes to fill out the budget items approximately. Do it in pencil for now. I think you'll find it interesting to compare what you think the items cost with the actual costs when you check your records at home. If you are like most people you'll find that your actual costs are somewhat different from what you think they are. That happens in business, too, and that's one reason why it's important to keep records on costs. Well for now your estimated costs will give you an approximate figure. So let's take a few minutes now to fill out the Budget. I'll be glad to help with questions.

(Allow 5 minutes.)

Everyone finished? If you're not, of course, you can continue working on it at home. But I recommend that you fill out

1. determine investment cost

2. determine operating costs

this form carefully. There are two good reasons. First, the total of those figures is one of several that you will need to determine what kind of money you will have to invest in starting your business. The second reason, I think, is equally important. What you have just done in figuring your costs for operating your family for a month is exactly the same kind of information that you will need to figure operating costs for your business. We'll go into it more later but if you would substitute "building rent" for "house payment", "delivery truck" for "car payments", "equipment payments" for "appliance and TV payments", I think you can readily see how this is exactly the same thing that you do to forecast costs and cash requirements in business operations.

(Turn off projector!)

Well, what other figures do we need to find out how much it will cost you to go into business? We said earlier that the second capital requirement was the cash needed to set up and start the business. This we can call "initial capital requirements."

C. Initial Capital Requirements

To assemble this figure takes a bit more doing and considerable leg work in gathering the information. Let's go through the steps of figuring the initial capital requirements for a florist shop. While this is a hypothetical case and the figures themselves probably won't be important to you, the method is what is important to learn so that you will be able to do this for your own enterprise.

1. Fact finding

Of course, the first step in organizing a business should be some fact finding. A prospective business person should get all the available information he can right at the start. In the case of our florist shop this would include the reading of trade journals with special attention to those articles concerned with financial operations. Then I would urge the potential owner to interview some successful florists, perhaps in another town where he won't compete. Among those things which must be learned are: what equipment to lease or buy and how much it costs, how much gross sales a shop like yours might expect, what kind of profit margins are involved in a successful shop, and things like the going wages for clerks and floral designers and just about anything else that has a bearing on the costs of operating a florist shop.

The suppliers of flowers and shop equipment would be necessary contacts for information. Here again, it would be advisable to make a list of questions as a master plan and then use every means possible to get the information: write letters, ask for appointments with suppliers' representatives, and make phone calls to get answers. You should also contact the appropriate trade association for information.

PRICE LISTS
FUTURE BUSINESS
BIDS

Golden Key V-3

(Turn off projector!)

A good way to keep track of all this information is to start a file. If you do a thorough fact finding job you can't possibly remember it all. Take plenty of time for the fact finding and don't be satisfied with the generalities--get specific bids on equipment that you are interested in and if some of your source material comes from books or periodicals that you can't keep, have copies made for reference.

2. Fact finding sheet

Let's assume that we have already done a thorough job of fact finding and that we've got the information that we need. Let's suppose, too, that we already have selected a location and we know what the rent will be and all the costs for licenses, deposits and installations and that we have assembled all this information on a fact sheet. If you'll turn to the page titled

(Hold up the Fact Sheet.)

"Florist Shop Financial Fact Sheet" you'll see the kind of information we have gotten together. Does everyone have the Florist Shop Fact Sheet?

Note that we've put on the sheet even an estimate of gross sales of $35,000. Just how to arrive at that figure takes a lot of searching and fact finding in itself. You set that figure after studying cost ratio figures for your kind of business, or working backwards, projecting the amount of business you will have to have (based on the ratios) to earn what you want. Of course, the sales goal must be obtainable for the market you plan.

3. Schedule

Well, with these kinds of figures now available we can begin to assemble the costs.

(Hold up a copy of the Schedule.)

Turn now to the page entitled "Schedule of Furniture, Fixtures and Equipment". Here is a list of the equipment we have decided we will require. In the interest of time, we have already put in the figures. Once again it is the method we are interested in. The dollar amounts are relatively unimportant here but when you make your "Schedule of Furniture, Fixtures and Equipment" the dollar amounts will be most important. Are there any questions so far?

4. Capital requirement worksheet

a. monthly expenses

Well, now we have a Fact Sheet and a Schedule, so turn to the next two pages which are entitled "Florist Shop Intitial Capital Requirements Worksheet", pages 1 and 2. On the first page you will see that we have listed the items that make up the monthly expenses for doing business. These are divided up, you see, into headings labeled "Sales" and "Gross Profit". And under Gross Profit are headings for "Fixed Expenses", "Controllable Expenses" and "Net Profit". Under each of these are the items that make up those expenses. Take the first item on the page, "Sales". Has everyone located that? In the first column to the right is the figure $2,916.17. That figure comes by dividing the estimated annual gross of $35,000 by the number of months in the year, and $35,000 divided by 12 comes to $2,916.17. That is simply the amount that sales must average each month in order to reach the $35,000 annual total. To the right of that is the column labeled "Industry Ratio", which in this case, of course, is 100%. In other words, all the expenses for one month plus a profit will equal the total amount of sales for the month.

b. Standard Industry Ratio

The cost of sales for that amount of total or gross sales would be $1,356.83. You may well ask how we got that figure, and

(Hold up Standard Ratios)

the answer is by learning the Standard Industry Ratio for florist shops generally doing a business between $25,000 and $50,000 a year. These ratios are published for a number of businesses by Dun & Bradstreet, Accounting Corporation of America, and in the case of retail businesses like this one they are also published by National Cash Register Company. If you are going into a manufacturing or service business and the ratios are not listed by Dun & Bradstreet or ACA, then I would suggest that you ask your trade association for the ratios. These are most important.

c. cost of sales

In the case of our florist shop we find that the ratio of Cost of Sales is 46.52%. This is the average for florist shops of this size across the nation and serves as an estimate of what the cost will be for flowers, supplies and materials, if our florist shop is average. Of course, your real cost of sales may prove to be different but only experience will establish that figure.

5. Cash requirements

In the third column of figures is listed the Initial Cash Requirements for two months. But here is a point that may confuse you. The question most often asked is how come the cash requirement isn't two times the total inventory cost for one month? Well, in addition to the percentage ratios for a florist business, the Standard Ratio shows that the average "Inventory Rate of Turn" for a florist shop this size is 24.7 times a year. Do you see where it shows that at the bottom of the second page? Well, 24 times a year means that the inventory will turn about once every 15 days. We can assume at least some sales in the early days of the business and therefore some turnover of inventory. Otherwise, there obviously wouldn't be any need for buying new inventory if the beginning inventory didn't sell, even considering that flowers are perishable. In any event, the number of times that inventory turns per month

	divided into the monthly cost of sales comes to $1,356.83.
6. Gross profit	The Gross Profit item is the difference between Gross Sales and Cost of Sales. Don't confuse Gross Profit with Net Profit because all of the expenses and the Net Profit have to come out of the Gross Profit.
a. planned rent	On down the list of items, each one has been figured by multiplying the Standard Ratio for each item times the monthly gross sales. Rent, for instance, would be figured as 2.4% of $2,916, or $70.00 per month. Now, someone is going to say, "but if we already know what the rent will cost we can use the real figure." And that is correct. But if it were greatly different from the Standard Ratio it might raise questions about the planned rent. Let's assume that the actual rent in our hypothetical case is the same as the industry

ratio but you should give this attention when you figure your own. If it were I, I think I would do this part first, based on Standard Ratios before I even got around to finding a location. One of the uses of a financial breakdown like this is as a standard guide to the expenses that one contracts.

b. utilities and insurance

Utilities and Insurance costs, you can see, are figured in the same way as a percentage of monthly Gross Sales. And in the right hand column we have allowed a reserve for two months' rent and two months' utilities. In the case of insurance we've allowed a reserve for a full quarter because insurance premiums are usually figured and paid on a quarterly basis.

c. taxes, licenses

Dropping down to Taxes and Licenses, you see that it was figured in the same way from the ratios. However, note that we haven't shown any cash requirement for the item. The reason is that these items ratio but you should give this attention when you figure your own. If it were I, I think I would do this part first, based on Standard Ratios before I even got around to finding a location. One of the uses of a financial breakdown like this is as a standard guide to the expenses that one contracts.

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c. taxes, licenses

Dropping down to Taxes and Licenses, you see that it was figured in the same way from the ratios. However, note that we haven't shown any cash requirement for the item. The reason is that these items are generally figured at the end of the business year and will not require an initial cash outlay.

7. Controllable expenses

The same is true of Interest, Depreciation and some of the expense items under the "Controllable Expenses". All we are really saying is that these are items for which we don't need immediate cash but, of course, they are real expenses to be paid over the long term. Well, as you can see, this page when accurately completed represents a valuable pool of information. From it we can project our monthly costs for doing business, the profit we should realize from the operations and a sort of beginning budget to serve as a guideline in considering adding employees or other expenses. But for our purposes right now, we are primarily interested in the third column of figures.

a. nonrecurring expenses

Remember, we set out to find out what it costs to go into business and now we have some realistic figures. If we add up the Initial Cash Requirements we get a total of $3,064.13. This represents the amount of money we need for starting the business. But that's not all the money we have to have. We still have the costs of setting up. These we call by the fancy title of "Nonrecurring Initial Capital Requirements". If you will turn to the second page of the worksheet you'll see it listed.

(Hold up worksheet)

1) nine items

Under this heading of "Nonrecurring Requirements" you see there are nine items. Let's go through each of them.

Item number one is easy. We'll assume that in our hypothetical case the landlord is going to provide the costs of redecorating so we have no initial costs there.

We get the amount for item number two from the Schedule of Furniture, Fixtures and Equipment which we looked at earlier so there we enter the total, $4,500.

On item number three, let's assume that the purchase of equipment includes installation so there again we get off easy.

Item number four is "Inventory Reserve" in the amount of 35%. When a business is first starting it is often found that customers want to buy things which were not in the beginning inventory. Well, even though we planned a cash reserve for inventory, we need to have something extra available in case of change. The figure of 35% of the beginning inventory is used as a rule-of-thumb. The figure could be less, but in estimating financial needs it's best to play it on the safe side.

Item number five lists "Accounts Receivable". Let's assume that we learned in our fact finding that florist shops in this area extend credit to customers as a way of building added business and providing customer convenience. So we plan to offer credit, too. This means we will have to wait to receive some of our money. We have also learned that other florists do half or 50% of their business this way. So we have to allow for this in our Initial Capital Requirements. Fifty percent of our monthly gross sales would be $1,458.08, but let's round it off as an approximate figure of $1,500.

Item six is for Utilities and Sales Tax Deposits, and we've learned from our fact finding that it will come to about $50, so we put that down.

Item number seven is for initial advertising and sales promotion. As a new firm, we have to let people know we are around so we set up an allowance for some handbills and an ad or two and maybe an announcement card so we figure that will all come to about $150.

Item eight, the rent, we have already provided for in the previous page, but the conditions of our lease require a deposit of one month's rent, so we have to show that as a Nonrecurring Capital Requirement.

And item nine is the amount we will need for petty cash so we put in $20.

When we add up these items we have a total of $6,764.89.

Now, we've got some figures together that we can realistically use to say how much it will cost to start our florist shop business. From page 1 of the worksheet we got a figure of $3,064.12 for Initial Cash Requirements to carry over, and if we add that to the $6,764.89, Nonrecurring Requirements, we get $9,829.01. But we are forgetting something. Remember, this does not include any money for you to live on. Well, we would have to add to that the figure you got for your Family Income Requirements back awhile ago, but one month isn't enough, we'd better figure on two months because it'll probably take us that long to get even a very sound business going well.

For the purposes of completing our example, let's say that your Family Income Requirement was $800 per month. Well, that amount for two months would be $1,600, so that's what we must add to the $9,829.01. Therefore in our hypothetical case of starting a florist shop the total minimum amount of money to go in business should be $11,429.01. You may need more for future growth or emergencies.

D. Importance of Financial Factors

That rather drawn out process is what you have to do to find out how much it costs to go into business. I doubt if many of you are going into the florist business, and you should bear in mind that other businesses have far different requirements. But you need to go through all these steps. Most retail businesses require considerably more inventory than a florist shop, for instance, and most manufacturing operations these days could not get off nearly so cheaply.

1. Seasonal ups and downs

It is also well to remember that many businesses have seasonal ups and downs and sometimes larger inventories must be carried. In the case of our florist shop, you'd want to make provision for added inventory at Valentine's Day, Easter, Christmas, Mother's Day or other holidays. And, of course, you have to plan for any unexpected expenses.

2. Check worksheets

If you've already gone through the steps we've talked about for your own business, I would suggest that you use these worksheets to doublecheck to see if you have provided for all the items. I would urge you also to have the figures checked by someone in the line of business, say a supplier, and to talk the figures over with your banker and accountant, if you have one.

And I recommend that you study these figures yourself until you are thoroughly familiar with them. Examine every item and ask yourself searching questions.

INCOME ANALYSIS

Average Profit, $492.63

Golden Key V-4

3. Family expense

Let me give you a case in point that I think sums up the need for studying these kinds of figures. Go back to page 1 of the worksheet. Down at the bottom of the page we show that the average profit we could expect on that amount of business would be $492.63 per month. That is, if we ran the business as well as average, we could expect only that much money. And remember that we didn't allow anything for the owner's "salary" on that page. Well, if the owner's pay has to come out of profit, only, where will the $800.00 per month family living expense come from? Surely not out of $492.63 a month profit--it won't go! Either the family will have to do all the work and eliminate the $333.67 employee expense or find some other way to make it pay.

(Turn off projector.)

Either this business is too small to support the family, or it is the wrong business. The family with an $800 living expense requirement would be better off investing the $9,829.01 in a safe place with a safe return and not attempting this business just now.

4. Learn facts instead of losing money

Well, that means we figured all that out for nothing. Perhaps, but isn't it better to learn the facts of life on paper before you've lost your money? Now, you can see why we say that Financial Factors are the "Golden Key" to success in a business!

MASTER OF CEREMONIES - 5

(time: 2 minutes)

THINGS TO DO	WHAT TO SAY
CONTENT OUTLINE VIII. The Vault Key (Hold up the "Vault Key" placard.)	Our key ring and, hopefully, your list of "success keys" is building up nicely. This next section, as you can see, is entitled "The Vault Key". Which oddly enough reminds me of a story. It seems that back in the days of the Christian Crusades a wise and beloved king prepared to lead his men off to fight in the Holy War. But the king was worried for fear that something might happen to him in battle and that his kingdom would suffer at his loss.
	So the king called his closest and most trusted friend to the throne room and after swearing him to loyalty and complete confidence, handed the friend a vault key. The king told his trusted friend that he feared for his life and wished to entrust the wealth of the kingdom to the friend's safekeeping. The friend promised to do the king's bidding. So the king

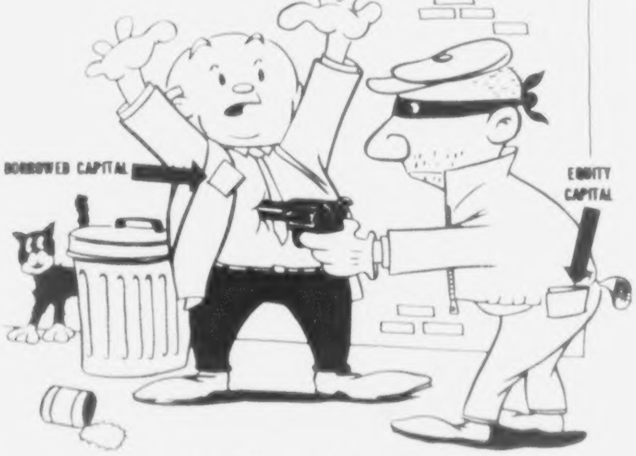
said, "What you must do is keep this as our secret. Use the key only if you hear that I have been killed or if I do not return in a year! In the storeroom of the vault you will find all of the wealth of the kingdom. With the gold, first pay all the debts of the kingdom and then give half of what is left to my beloved queen and the rest divide equally among the nobles."

With tears in his eyes the true and trusted friend bade the king goodbye. But no sooner had the king joined his forces than his friend came riding up in great haste, saying, "You have made a terrible mistake, sire. This is the wrong key!"

Hand him the key placard labeled the vault key.

So now I would like you to meet my good and trusted "friend", Mr. ______________ who will tell you about Vault Keys.

"The Vault Key" - SOURCES OF CAPITAL
(time: 22 minutes)

THINGS TO DO	WHAT TO SAY
CONTENT OUTLINE	
VIII. The Vault Key (Take the placard and hang it on the podium.)	You know something, the last time I heard that story it was the key to the queen's armor. But I like the way you tell it.
	In the last session on Financial Factors we heard about how to figure out how much it costs to go into a business. But we're not through with financing there. The remaining question is where do you get the money? Or as my friend Mr. ____________________ (master of ceremonies) would say, "Who's got the key to the vault?"
A. Equity Capital  Vault Key V-1 (Turn off projector!)	Let me start by explaining that there are two kinds of capital--equity capital and borrowed capital. "Equity" capital is the money invested in a business in return for certain ownership rights. Equity capital is a more-or-less permanent arrangement and represents the basis for the firm's financial structure.

For most new small businesses the initial equity capital is put up by the owner-manager himself or by several owners if there are more than one. The way that equity capital is obtained is usually the determining factor in the kind of business organization that is formed because the ownership arrangement is dictated most often by the equity investment.

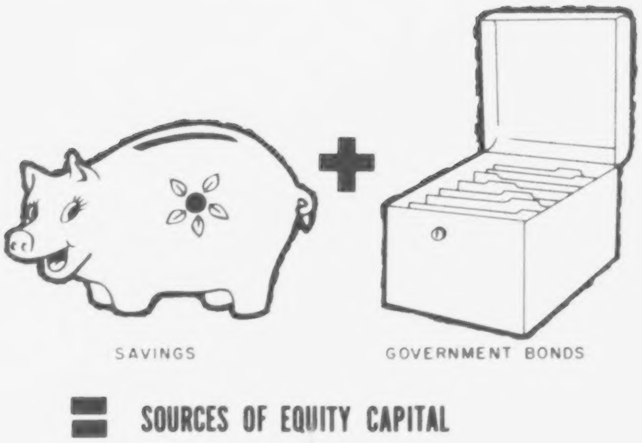
1. Sources

In the case of a sole proprietorship, the owner almost always supplies the equity capital himself. However, it is possible to obtain outside equity capital from an individual, a relative or friend perhaps, but such arrangements do and should involve certain firm agreements about the lender's participation in management and profits. The fact is that such arrangements may really represent a limited partnership whether the proprietor and lender recognize it or not.

In the case of partnerships the equity capital is supplied by the partners. We won't go into the forms of organization in detail now because that is the subject of another session. We should note, however, that the partners do not necessarily have to invest the same amount of equity capital. Virtually any arrangement can be made by agreement, preferably in writing, between the partners.

But don't get involved in a partnership like the one I heard about where one partner put up the equity capital and the other put up the experience, but at the end of five years the second partner had the money and the first partner only had experience.

Equity capital is invested in a corporation by the purchase of security shares which represent ownership units in the business firm. As I said, you'll take up later the relative merits of the types of business organization. We'll just sum it up for now by saying that equity capital represents ownership in the business enterprise.



Valut Key V-2

(Turn off projector!)

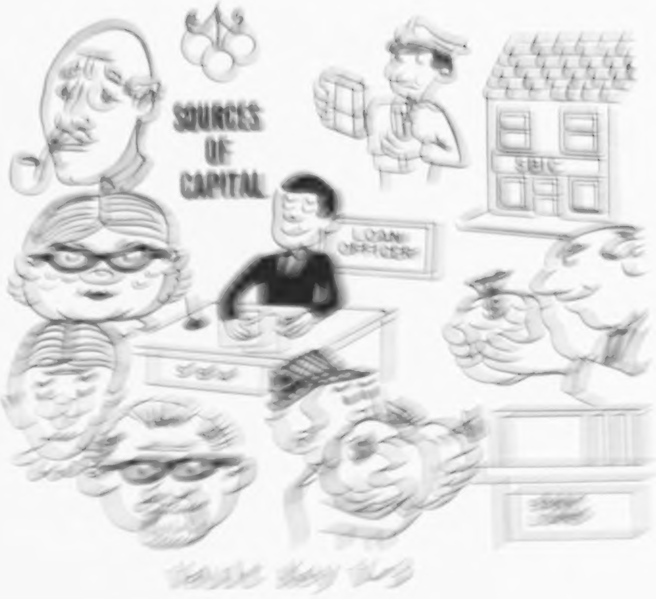
In answer to "where does equity capital come from?" it comes from savings or securities of the owners. Preferably the owner-manager has plenty of his own equity capital available but, of course, the equity capital put into a business can be supplemented by funds borrowed from outside sources.

B. Borrowed Capital

Those funds that are obtained on temporary loan we call "borrowed capital". Generally, the larger the business the more important borrowed capital becomes. As I am sure you are aware, already, borrowed money is supplied by the lender in return for interest and a promise to pay at some specific time in the future. Usually, the loan is "secured" or guaranteed by a mortgage or lien on some real property or asset or by "co-signers" who obligate themselves to pay if the borrower defaults. This security behind a loan is called "collateral".

(Hold up the glossary.)

If these words are unfamiliar to you I would urge that you refer to the "Glossary of Business Terms" in your folder. These are the words that a banker or loan officer will use and it's important that you have a clear understanding of them when the time comes for you to seek a loan. Don't be like the fellow who was turned down repeatedly in trying to obtain a loan and said, "There's no shortage of money--it's collateral that the banks are short of."



1. Sources

Borrowed capital may come from a number of sources. A loan may be granted by a local bank--that's the primary source of borrowed capital for a small business. Banks are followed in importance by supplier or "trade" credit, friends and relatives, small loan companies, insurance companies, the Small Business

Administration, and in some cases by other Government agencies, and, also, by SBA licensed Small Business Investment Companies or SBIC's, as we call them. We'll go into these major sources of borrowed capital later.

2. Rules

RULES FOR BORROWING

1. **Maintain Control of the Firm**
2. **Avoid a Heavy Debt Burden**
3. **Shop for Loans**

Vault Key V-4

   a. maintain control of firm

   b. avoid heavy debt burden

Regardless of the source of borrowed capital, I would urge you to follow three important rules, if you can. First accept terms that allow you to maintain control of the firm. Otherwise you may find you are not really in business for yourself. Second, avoid a heavy debt burden. The borrowed money has to be paid back somehow so you have to have good prospects for paying it back and any interest you pay is profit you will never earn.

c. shop around

The third rule for borrowing money is to shop around for it. Interest rates and terms vary and you want the most favorable you can get. Think of borrowing capital as "renting the money" and shop as thoroughly for it as you would to rent an automobile or a piece of machinery.

(Turn off projector!)

C. Commercial Banks

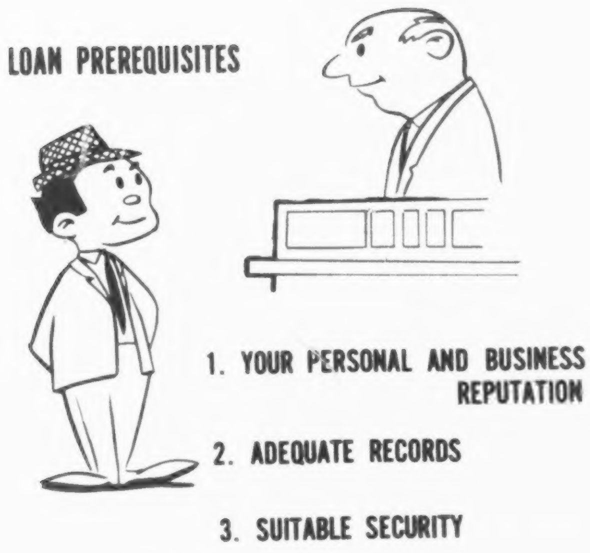
As I said earlier the major source of borrowed capital is a local commercial bank. A commercial bank is simply a business corporation organized like any business to earn a profit. The services that a bank sells to its customers are now widely varied but its principal services for business customers are: 1) to act as a depository for the protection of business funds; 2) to cash checks and transfer of various business instruments; and 3) to loan money for short term needs or for long term improvements,

1. Short term loans
   a. secured
   b. unsecured

Commercial banks, generally speaking, are more interested in making "short term" loans for a few months or a year at most. Banks, because of their need like any other business to turn a profit, look more favorably on the short term loan. It brings in a higher rate of interest and as a short term transaction turns the money over at a faster rate. Banks are strictly bound by banking laws, too, and must keep a certain percentage of their loans of a more temporary nature. These short term loans are of two types: the secured or collateral loans we mentioned earlier and unsecured or "character" loans. In the first type you may be asked to pledge life insurance, securities, equipment, real estate or some other asset belonging to you or the business. In the second instance, your signature is all that is required. Here the loan is made on the basis of your managerial ability, your financial reputation and on the bank's evaluation of the soundness of your proposition. There are other special types of business loans made on the basis of accounts receivable, contracts or inventory but those are seldom of interest to the beginning businessman so we won't go into them here.

2. Long term loans

In addition to these short term loans of a year or less, banks do on occasion make "long term" loans. These are harder to obtain for the reasons just mentioned and almost always will involve the pledging of some major asset. Interest rates for loans vary with the availability of money, the size of the loan and the payment period, and the banking laws under which the bank operates.


LOAN PREREQUISITES
1. YOUR PERSONAL AND BUSINESS REPUTATION
2. ADEQUATE RECORDS
3. SUITABLE SECURITY

Vault Key V-5

The three most important prerequisites for borrowing from a bank are: 1) your personal and business reputation which determine, in the eyes of the banker, your ability to make a success of the business; 2) adequate records, which you'll hear more about later; and 3) suitable security.

(Turn off projector!)

D. Good Bank Relationship

One of the most common problems of small business owners is lack of understanding where commercial banks are concerned. There seems to be an actual fear of banks that is all too common with the new business owner. It all stems, I suppose, from a kind of mystery which used to surround banks. There was a time when banks had a kind of solid, forbidding appearance and bankers were often characterized as cold, suspicious people who seemed to delight in turning down loan applications and talking in a strange language that was difficult to understand. To the credit of the banking profession, they have taken many steps in recent years to change this image. But regardless of what you may have felt about banks in the

1. Essential part of community

past, I would urge you to establish a good relationship with a bank. Remember that a bank is an essential part of every community. While their first duty may be to protect the deposits of their customers, banks are vitally interested in the commercial success of the areas which they serve.

2. Start bank relationship before business

I would suggest that you start a relationship with a bank even before your business is started. Not only will this establish you as a business-like person and help you if you need a loan later, the banker can give you much valuable, expert advice and help you get the information you will need to be successful.

LEMONADE STAND
Bank

Vault Key V-6

3. Choose for services

I like to think of a modern bank as a kind of "supermarket" for financial services. And like choosing a supermarket, you should choose a bank on the basis of convenience, availability of the services you need or may need, and the prospect of your building a close working relationship with the banker assigned to your account.

4. Banker is personal friend

a. personal finances

b. Business details

The actual choice of a bank is a personal matter, of course. But once you have made the choice there are some things that you can do to keep a good relationship. First, show the banker good faith. Many small businessmen are reluctant to discuss personal financial matters with the banker, but you must think of the banker as your financial friend, the same as a doctor is your medical friend.

Second, have the banker learn the details of your business operation and keep him supplied with a continuous flow of your financial information. Even if you don't think you need a loan, things may change and this background information will make your chances for a loan much more favorable.

c. meet obligations

Third, keep up your good relationship with your bank by meeting any obligations promptly. Even if it is no more than the prompt submittal of a statement, your good faith will be well demonstrated.

d. plan ahead

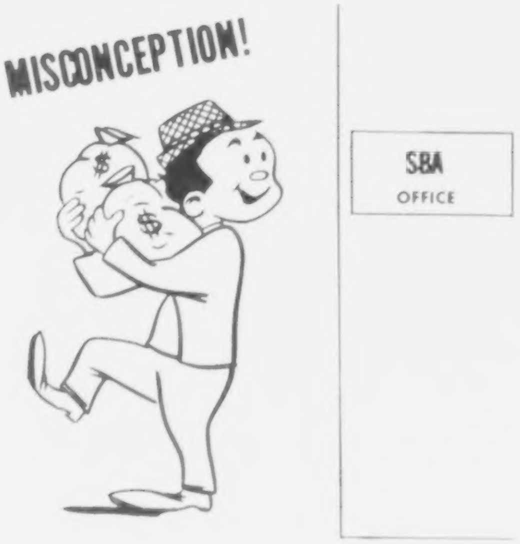
The fourth thing that you should do to cement your banking relationship is plan ahead, financially. If there is even the remotest prospect that you will need financing at a future date, let the banker know it.

e. get advice

And finally, you can help yourself and your banking relationship by seeking your banker's advice on planned expenditures or major changes in the business.

E. SBA Loans

It is only fitting, I think, since this is a Small Business Administration Workshop that we talk next about SBA loans. Or as one Workshop member once said, "Now, we get down to the nitty gritty."



Vault Key V-7

Like most things involving money, it seems that the loan program is cause for misunderstanding. Too many people have the idea, I'm afraid, that all you need to do is walk into the SBA with an idea and presto you walk out with a big check.

(Turn off projector.)

It's a bit more involved than that.

1. Purpose of SBA loan program

In the motion picture which you saw a little while ago was an example of the Small Business Administration's loan program. As you saw, one of the prime reasons for the SBA is to help small, deserving enterprisers obtain financing. It was not the purpose of Congress in passing the Small Business Acts to set up competition for banks. Quite appropriately the loan program is designed to help businessmen qualify for bank loans and when those are not available, and only when they are not, then

help them obtain the loan by guaranteeing it.

a. loan criteria

Congress was very specific about the criteria for loans. These loans may only be granted to a "small" business and the law goes to considerable lengths, again as you saw in the film, to establish what constitutes a "small" business.

These loans may be made for construction; conversion or expansion of facilities; for the purchase of machinery, equipment, facilities, supplies or material and for working capital. Maturities can range up to 15 years for construction of facilities, and up to 10 years for other fixed assets. Working capital loans are usually limited to six years.

b. restrictions

There are certain types of loans which SBA is not permitted to make, such as to bail out creditors, to newspapers or radio stations, for gambling establishments or for temporary business ventures. Restrictions are also placed to prevent loans for speculation or where the money will be used to establish a monopoly or any other purpose not in the public interest.

c. General qualifications

Generally, to qualify, an applicant must first try to get two local banks to lend the money. If the banks are unwilling or unable to make the loan on their own, the applicant should determine if they would make the loan under an SBA guaranty up to 90% or $350,000, whichever is less. If not available under the guaranty, then SBA can consider taking part of the loan on a participation basis of 75% or $150,000, whichever is less. Normally, if he still could not qualify, then he could have applied for a direct loan to his SBA field office. However, due to Federal fiscal restraints, SBA has had to discontinue the acceptance of direct loan applications under the regular business loan program.

The prospective borrower must still demonstrate his qualities as a credit risk. SBA requires that the applicant be of good character; that the businessman has the ability to operate a business successfully

SBA CREDIT REQUIREMENTS

1. **Good Character**
2. **Ability to Operate Successfully**
3. **Have Enough Own Capital to Add**
4. **Sound Proposition**
5. **Good Prospects to Repay**

Vault Key V-8

(it takes more than money for success, remember?); that the applicant has enough of his own capital to add to that provided by the loan so that he can operate on a sound basis; the owner must demonstrate that his proposed loan is of sound value; and the prospects for repayment of the loan must be present.

(Turn off projector!)

These legislative requirements mean that regular SBA business loans are generally secured loans. They also mean that the SBA is obligated to look into the applicant's integrity, management ability and past or prospective earnings.

d. objectives

It should be clear that the SBA financial assistance program is tied to national or local objectives. Because these are funds in the public trust, emphasis is placed on using them where they will do the most good: to generate economic growth in designated unemployment or poverty areas, to help our foreign balance of payments deficit, to meet some Government procurement need, or where the loans will meet some local condition or need.

e. EOL loans

Along this line the Congress gave SBA a special loan program for the economically and socially disadvantaged whereby special considerations are applied to those who qualify. These Economic Opportunity Loans are made to applicants on a relaxed credit criteria basis. The applicant must demonstrate the ability to operate a business successfully. There must also be a reasonable assurance that the loan can be repaid from the earnings of the business. While character is of more importance than collateral, every applicant is expected to have some of his own money or other assets invested in the business.

Economic Opportunity Loans are limited to $25,000 with terms up to 15 years. These loans are available on a guaranteed basis, in participation with banks and other lending institutions, or directly from SBA. The interest rate for these loans fluctuates. Currently, for direct SBA loans, the interest rate is 6-5/8%.

f. SBIC loans

There is another source of capital that is related to the SBA program. Long term financing for plant, equipment and other capital needs may be obtained from one of the Small Business Investment Companies which are licensed by SBA. Time won't permit us to develop all the information about SBIC loans, but the SBA office located at ______________________________ will be glad to give you more information if you are interested.

F. Trade Credit
1. Define
2. Beware

What is probably the most often overlooked major source of borrowed capital is that provided by trade financing. Trade credit is simply that financing involved on loan from your suppliers. This may be in the form of 30 to 60 day open credit on inventory but may involve installment loans on equipment or furnishings which you buy.

But I would warn you to beware of trade financing. Most of us can generate more credit than we can safely use. As one old business friend of mine used to put it, "You can lose your shirt by putting too much on the cuff."

3. Types

a. secured

Trade credit, like bank loans, is of two types--secured and unsecured. The secured commercial or trade credit requires a formal contract or "note" much as in the case of the bank loan. Usually, as a new customer of a supplier you will be asked to sign such a credit instrument. It is as binding as a bank note and requires the same concern for prompt payment.

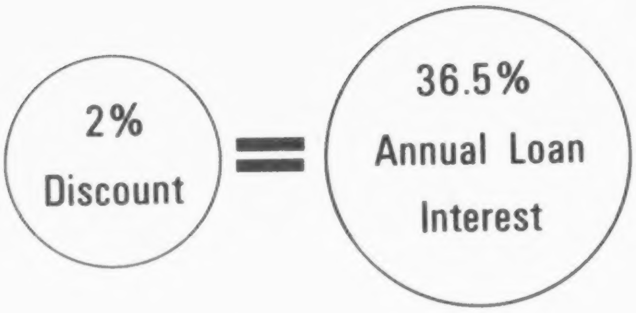
b. unsecured

The unsecured commercial credit is usually on an informal basis with an understanding that the account will be paid in a specific number of days. In spite of the simplicity and relative ease with which you can purchase on an unsecured basis, don't overstock just because you can buy on credit. Your credit reputation is important as long as you remain in business and anything you do to damage it will surely cause you troubles in the long run.

4. Long range costs

By the same token, avoid the temptations offered to have the most modern equipment just because of your ability to buy for 20% down and the rest in installments. The interest charged on such transactions may be quite high and may add too greatly to your cost of doing business. Of course, make use of trade credit where it is advantageous to do so. It can be a valuable adjunct to your capital requirements. But don't overlook what the use of such credit may cost you in the long run.

A case in point is what happens when you lose a potential cash discount in order to extend the payment period to 30 or 60 days. First of all the early payment of invoices will help your credit rating. But what is more important is that the failure to take a trade discount may mean you realize far less profit than you could. A 2 percent discount may not sound like a big thing, but when you consider that is 2 percent



Vault Key V-9

for just 20 days' time and if you multiply that by the number of 20-day periods per year, you are talking about 36 percent. That's a high rate of interest and the average business owner would be far better off even borrowing the money from a bank at 6 or 8 percent annually and taking the discount.

G. Other Sources of Capital

There are still other sources of borrowed capital that we should talk about in passing. You may have a rich uncle with money or an older friend with savings he may wish to lend or invest. This type of borrowing is quite common, and for the time being may be the only source available. Sometimes such loans are made with no definite date of repayment and even with a deferral of interest.

1. Personal

But anyone considering such a personal loan must carefully consider what implications such a loan involves. Business ventures don't always fare as well as expected and one must consider what happens to the personal relationship then. There is the possibility, too, that the friend or relative will use this financial obligation to impose business decisions which are against the owner's wishes.

A business loan should be handled on a strictly business basis--at arm's length if possible. Many unwary owners have lived to regret their personal sources of borrowed capital.

2. Other institutions

There are still other lending institutions where one might obtain financing. Among them are savings banks, small loan companies, insurance companies, factors, business firms and state and local development companies, but these are minor sources for business. They generally operate along the lines of commercial banks in the granting of loans.

H. Financial Management

1. Analyze financial records to make financial decisions

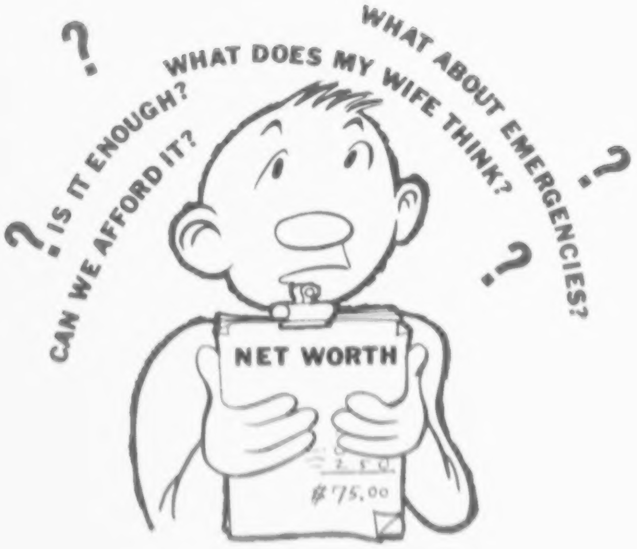
But regardless of where your initial capital requirements come from, the need arises to properly manage the finances of the company. It is the never ending responsibility of the businessman to use his capital wisely. This is really a two part problem. First you must know where you stand by analyzing the financial records that your business generates. Then you must use the information in making financial decisions. Later you'll have a chance to examine the various types of records that a business needs to carry out its operations and for the owner to manage his finances.

2. Explain and emphasize "Personal Financial Statement"

(Hold up the "Personal Financial Statement".)

I think I can demonstrate what I mean, though, by considering just one such record. In your folder there should be a page that is labeled "Personal Financial Statement". Has everyone got one of these? This is a statement of financial information that you will need before you go into business and certainly before you secure almost any kind of loan. What this is is simply a list of your assets, here labeled "I own", and another list that represents your personal liabilities, in other words, what you owe. Tonight when you get home, take out your records and carefully fill out the form, being careful to include everything. When you have the two totals of the lists, then subtract the total of what you owe from the total of what you own. The difference should prove very interesting because that will be a statement of your net worth. Your net worth, of course, is the total equity capital that you have available.

Well, when you get that figure for your net worth, go over the items in the statement very carefully and analyze them to determine how much of your assets you could afford to put into your new business enterprise. Remember that you've got to leave


CAN WE AFFORD IT?
IS IT ENOUGH?
WHAT DOES MY WIFE THINK?
WHAT ABOUT EMERGENCIES?
NET WORTH
$75.00

Vault Key V-10

(Turn off projector!)

enough for emergencies and you've got to keep those things which your family needs to keep on operating. And then write down that figure as the maximum you could afford to invest in business. Then take a long hard look at it. Will it represent enough equity capital for you to justify buying or starting the business that you want? Then discuss the statement and your plans with your wife (or husband). That's very important if you are planning a business because it will surely affect her, too. Between the two of you go over that available investment figure very carefully. Ask yourselves if you really can afford the investment and talk about what would happen if the business does not prove to be a success or if the family has an illness. If you do these things you will be doing the job of financial management we were talking about: getting the information you need and then making financial decisions.

An interesting point here. If you look at that Personal Financial Statement and change the "I own" and "I owe" titles to "Assets" and "Liabilities" and move the "My net worth" figure over under the "I owe" column and change its name to "Owner's Equity", you would now have a business balance sheet and could use virtually this same form to figure out the net worth of your business. And if you did, you would use it the same way I just talked about to manage your finances: considering expenditures, determining how much you can set aside, and whether you've got your capital where you can use it best.

Well, we started out talking about the "key to the vault", and then we told you about several keys and several vaults. But when you finally get down to the one "key to the vault" in the success of a business, you'll find that key really only exists right here in this single piece of paper and what you do with it.

MASTER OF CEREMONIES - 6
(time: 30 seconds)

THINGS TO DO	WHAT TO SAY
IX. Lunch	According to my watch the time is ____________. It seems obvious that if we are to take the advice of our last speaker we should do some planning for lunch. (At this point the Master of Ceremonies suggests places for the Workshop attendees to eat and sets a time for a return to the sessions.)

MASTER OF CEREMONIES - 7

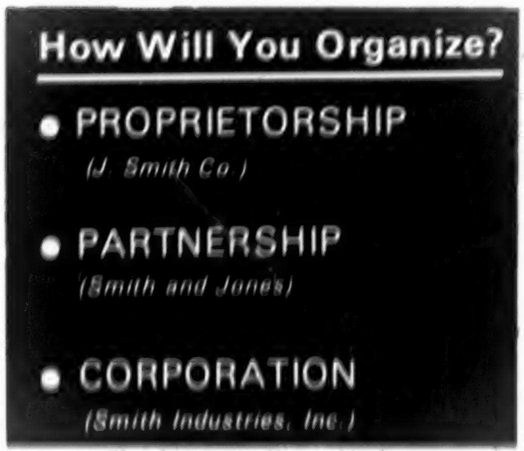
(time: 1-1/2 minutes)

THINGS TO DO	WHAT TO SAY
X. The Skeleton Key	You know, I got to thinking about what ____________ said this morning about borrowing money. It reminded me of the shrewdest businessman I ever heard of. It seems that this businessman went in to see his banker and asked for a one year loan of $10. Well, the banker thought this very odd, but because the businessman was such an important customer he said that he would grant him a loan at 8% interest. The wealthy businessman readily agreed but insisted that he wished to post $50, 000 in Government bonds as security. The banker said that no collateral was necessary, but the businessman insisted. At the end of the year the loan and interest were dutifully paid off. But the banker chided the businessman for making such a small loan. To which the rich businessman replied, "But how else could I keep those bonds in a safety deposit box just for 80¢ a year?

You see, financial planning is important. But then, so is organization. Organization is the "Skeleton Key" for success in business. Meet Mr. ________________

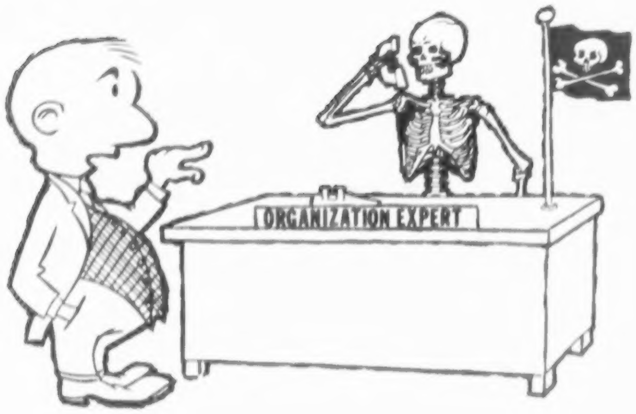
of ________________________________.

"The Skeleton Key" -
ORGANIZATION & PLANNING
(time: 15 minutes)

THINGS TO DO	WHAT TO SAY
CONTENT OUTLINE	
X. The Skeleton Key -- Organization and Planning (Take the key placard with the session title and hang it up on the podium).	A skeleton key, according to the Modern Locksmith Manual, is one with such a wide cut design that it fits practically any single level locks. It is in other words a universal key. Well, in that sense, the term fits my subject very well, because if there is one overall, universal key to business success it surely must be organization and planning.
A. Basic Ownership Skeleton  How Will You Organize? • PROPRIETORSHIP (J. Smith Co.) • PARTNERSHIP (Smith and Jones) • CORPORATION (Smith Industries, Inc.) Skeleton Key V-1 (Turn off projector!)	Also, of course, we think of anything that is a skeleton as being the basic structure upon which the thing is built. Here again is what I'm going to talk about because the basic framework of a business is what provides its initial strength. The three basic ownership skeletons around which you can build a business are the single proprietorship, the partnership, and the corporation.
B. How To Organize	Which of these three skeletons will you choose? What ought you to consider in

1. Consult expert

the choice? Well, all those questions can't be answered in a single session and maybe not even in a whole Workshop. So I would suggest, in fact I would implore you, to consult an attorney or an accountant before you finally make your choice.



Skeleton Key V-2

(Turn off projector!)

2. Make decision only with full knowledge

Any decision that you might make on the basis of fragmentary information could have serious consequences for you later regarding profits, taxes, liability and succession. So consider yourselves sufficiently warned. If that isn't enough let me remind you that a skeleton also means "poison".

However, I will give you some of the more important factors about the ownership organization of businesses for you to consider at this time.

C. Factors in Ownership Organization

Please note that I said OWNERSHIP organization. We should start by avoiding any confusion between the "operating" organization and the "ownership" organization. The two are, of course, related but operating organization is the system you use to run a business while the ownership organization is the system you use to establish legal ownership of the business and protect the equity capital which finances the business. We'll talk about operating a business a little later but for now let's talk about ownership organization.

1. Proprietorship

The simplest and most common system of ownership for a small business is the individual or sole proprietorship. Here one individual sets up and operates a business in his own name. He has title to the business, makes the decisions, and makes it go out of his own know-how.

Going into a sole proprietorship is relatively easy. It requires only that you obtain whatever licenses that may be required, rent the space, purchase equipment and supplies, and you are in business -- providing, of course, that you can attract customers for whatever you have to sell.

a. advantages

Proprietorship Advantages:

- Simple to start
- No legal fees
- Low license fees
- No business income tax
- Little government control
- Centralized control
- Profits not shared

Skeleton Key V-3

There are some obvious advantages to the sole proprietorship. As we've said, it is simple to start (or to terminate). No legal fees are required to start business and generally license fees are low. Perhaps much more importantly, income tax is not levied on the business, and business is relatively free from government control. Proprietorship is by nature the ideal method of centralized control because the owner is free to make all the decisions. This means he can make decisions quickly, can be as flexible as he wants to be, and can carry out whatever methods he wants as long as they are legal.

Then, too, profits need not be shared with anyone and there is great satisfaction in the achievements of the business.

(Turn off projector!)

b. disadvantages

Proprietorship Disadvantages:

- Terminates with death
- Difficult to raise capital
- Unlimited liability
- High risks

Skeleton Key V-4

But by the same token, this one-man type of ownership has obvious disadvantages. To begin with, the business terminates at the death of the owner.

Then, too, the personal nature of the business makes it difficult for the owner to raise additional capital on which to expand. The capital is generally limited to the owner's savings, the money he can personally borrow, and the earnings of the company.

Perhaps the biggest disadvantage comes from the fact that the ownership requires unlimited liability for business debts, including all the personal assets of the owner. In short, the risks are greatest in the operation of a sole proprietorship.

2. Partnership

a. general

The second type of ownership organization for a small business is the partnership. A partnership is formed when two or more individuals make an oral or written agreement that they will jointly hold title and will jointly assume responsibility for the operation of a business. This is often referred to as a "general" partnership and the partners both (or all) participate in the business.

b. limited

There is another type of partnership arrangement called the "limited" partnership where one or more partners are active in the business and the others, often called "silent" partners, do not participate.

c. advantages

Partnership Advantages:

- Simple and inexpensive to form
- Relative freedom from government control
- Availability of capital
- Personal abilities complemented
- Profits taxed only as personal income

Skeleton Key V-5

Like the proprietorship, the partnership is relatively simple and inexpensive to form. The legal requirements are much the same except that the agreement between the partners must meet the requirements of state law.

In the partnership there is again relative freedom from government control. The most prominent advantage is that more capital is available through the combined resources of the partners. Money is usually easier to borrow because partners share debts.

By the same token, personal abilities are complemented. Partners may offer the advantage of different management or technical specialties toward the conduct of the business. Like the proprietorship, company profits are not taxed, except as income of the partners.

Still another advantage is the relative flexibility involved in a partnership. Decisions can be reached readily, without legal involvement, providing the partners agree!

(Turn off projector!)

d. disadvantages

Needless to say, partners do not always agree, and this is one disadvantage of a partnership. Another is that each general partner is fully responsible for all the actions of other partners. The personal assets of each general partner (though not necessarily those of the silent partner) are involved in the debts of the firm.

Partnership Disadvantages:

- Disagreements
- Responsible for partners
- Terminates at death

Skeleton Key V-6

Like the proprietorship, the partnership is automatically dissolved with the death or withdrawal of a general partner.

In short, the partnership's greatest asset and greatest liability is mutual trust.

(Turn off projector!)

I'm reminded of the two partners who went fishing together. Halfway to the lake one partner said they should turn back because he forgot to lock the vault. But the other partner said there was no need because they could watch each other while they fished.

The point is that partnerships, even between the closest of friends or relatives, should be based on firm commitments drawn up in writing by legal specialists. Such agreements should set forth the responsibilities and obligations of the partners, state how profits and losses are to be shared, and under what conditions the partnership may be dissolved. These agreements, along with trust, make a partnership work.

3. Corporations

The third kind of ownership organization for a small business is the corporation. It is usually made up of a number of stockholders who share ownership on the basis of their investments in securities or stocks called "shares".

Corporations are formed by the granting of a document called "articles of incorporation". State governments apply strict regulation to corporations and grant them many of the rights exercised by individual proprietors. In effect, the corporation is a kind of artificial personage whose powers to make decisions and conduct business are entrusted to corporate officers chosen in compliance to state laws.

a. advantages

Corporation Advantages:

- Stability
- Simple ownership transfer
- Limited personal liability
- Favorable money resources

Skeleton Key V-7

The corporation is the most stable of all ownership organizations because its existence is not dependent upon the lives of the owners. Ownership is changed simply by transferring shares of stock.

The owners of corporations enjoy limited liability -- the assets of the owners are never involved in the indebtedness of the corporation beyond the shareholder's investments in the firm.

Of course, the main advantage of an incorporated firm is the ability to assemble large amounts of capital in order to form sizable business operations.

(Turn off projector!)

b. disadvantages

But there are still drawbacks to a corporate firm. There are filing fees to be paid and legal requirements to be met. Also the purposes of the corporation and its ability to change direction is severely limited by the terms of the "charter" granted by the state. The corporation is subject to greater government control than proprietorships or partnerships.

Corporation Disadvantages:

- Filing fees
- Legal requirements
- Limited flexibility
- Amount of government control
- Taxes on firm

Skeleton Key V-8

Taxes are generally higher in this form of enterprise because there are income taxes on corporate earnings and when these earnings are distributed to stockholders the dividends are again taxed.

(Turn off projector!)

The most common kind of corporation for small businesses is what is called a "close" corporation where the stock is held by relatively few individuals.

So we have the three types of ownership organization for a business enterprise: proprietorship, partnership and corporation. May I remind you again that there are many things which affect your choice beyond the relative advantages and disadvantages which we have mentioned. It is very important that you discuss your plans with a qualified attorney or accountant.

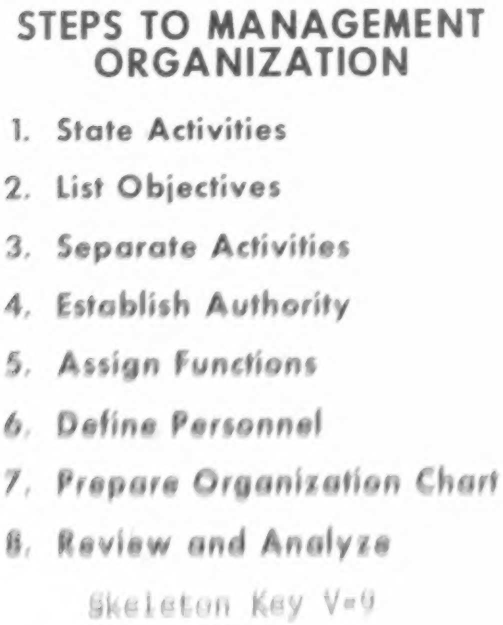
D. Organization within the business

1. Need for the above

Picking the "ownership" organization, of course, is not all the organizing one must do to start a business. You need a systematic way of doing things and this means that you need some kind of "operating organization"--some sort of management plan that guides the company's activities.

Now some of you are going to say that for your size business, at least at the beginning, you won't need any formal plan because you will be there to run things. Well, let me pass on to you the fact that even one man businesses need an organized way of doing things or else they run into trouble. Most businesses, of course, have several or a number of people and there need to be answered what each individual is to do, who is in charge of what and how work is to be accomplished. If these things are left to chance, the lack of answers are certain to cause misunderstanding, to cause important work to go incompleted and to cause costly mistakes.

2. Steps to management organization


STEPS TO MANAGEMENT ORGANIZATION

1. State Activities
2. List Objectives
3. Separate Activities
4. Establish Authority
5. Assign Functions
6. Define Personnel
7. Prepare Organization Chart
8. Review and Analyze

Skeleton Key V-9

So let us see what is involved in organizing the structure of a business. The steps are: to state the activities of business operations, list the objectives of the enterprise, separate the activities into categories, establish or delegate authority over each named activity, assign specific functions to each activity (call them departments or divisions, if you prefer), define the personnel requirements to carry out each activity, prepare an organization chart, and then review and analyze the steps.

(Turn off projector!)

When should you do all this? Well, early in the process of starting a business because you can't properly select a place of business and hire personnel until you have this structure in mind, and preferably down in writing.

3. An example

To take a typical example and show how a new business is organized, let's consider the case of a motor car dealer. This has elements of a retail sales business as well as a services business but by its nature is somewhat like a manufacturing firm.

The prospective dealer states that his activities will be: selling new and used automobiles, servicing and repairing automobiles and sales of automobile parts. Then, he lists the objectives. Not just to be a successful car dealer, but to be a major distributor of some particular make, to offer certain specific repairs and become the town's leading supplier of these. And perhaps to establish his firm as the supplier, not only of replacement parts for the cars he sells, but perhaps to offer a certain line of sports car equipment. Having done these things, the prospective dealer separates the activities into categories: sales, service and parts. Having done this it seems obvious that the operations should be organized around these three functions.

Now that the car dealer knows what his firm is going to do, what its goals are and the broad separation of activities, then he can go down the list: establish what management roles will be required for each activity, assessing functions for each department to carry out and then define what personnel it will take to do all this. Then he must get this down on paper so that it can be communicated. He might do it as an organization chart. And then having done all these things, he will review and analyse the steps in order to locate anything he has overlooked or any potential problem areas.

I would urge that you go through these same steps for the business which you plan. Just by going through them, you'll get a different perspective on how your own business should be organized.

E. Planning

What all this amounts to, of course, is the process of planning. The whole point is that in order to succeed in business, it is necessary to plan. By planning what I mean is, looking into the future and arranging the steps to attain your goal.

But that isn't quite the end of the process. In order to make plans work, you must weigh them carefully and then get action by informing all people concerned about the nature of the plans, assign responsibility so that the action will be carried out, and then direct the activity toward the carrying out of those plans.

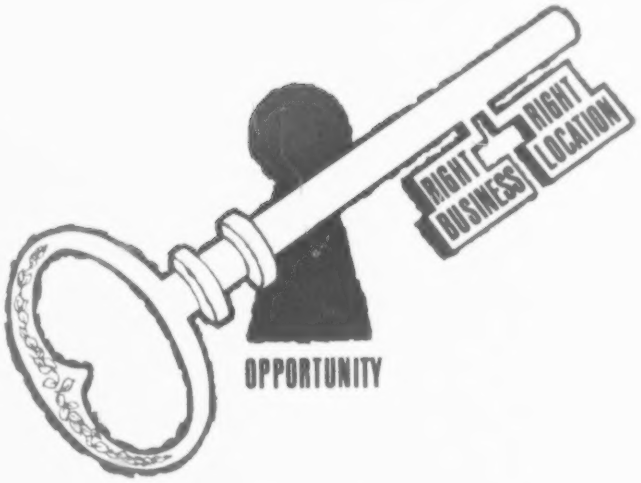
As long as you are in business you are going to find that this matter of organization and planning really is a skeleton key to successful business. But you can't just consider organization and planning when you start a business and then expect it to carry you forward forever. As businesses grow these skeleton keys tend to get rusty and faulty. Many businesses fail to succeed or fall below their potential because they forget that organization and planning is a constant management function which must be renewed periodically in order for a company's skeleton to fit its current needs and directions.

MASTER OF CEREMONIES - 8

(time: 1 minute)

THINGS TO DO	WHAT TO SAY
XI. The Front Door Key	I read someplace that one of the hotel industry's leading problems is people carrying off room keys. It is estimated that one new key is made each year for every hotel and motel room in the country. That's a lot of keys! They've licked that problem in Europe, I understand, by securely fastening room keys to such a large and unwieldy key ring or key tag that no one would dare carry it off. These tags are monstrous, jagged things that no one would want to put into a pocket, and because they are so ugly everyone is reminded to turn his key into the desk. Well, perhaps we can learn from this European business practice how to help you remember this next key by having such an ugly--I mean distinguished looking--speaker that you can't possibly forget what he has to say. It's my pleasure to present to you now Mr. ____________________, who is ______________________________

"The Front Door Key - OPPORTUNITY
(time: 20 minutes)

THINGS TO DO	WHAT TO SAY
CONTENT OUTLINE XI. The Front Door Key - Opportunity	Thank you so much for that flattering introduction. Just remember, I'm going to introduce you at the end of this speech, so you'd better look out.
A. Understanding the "Front Door Key"  Front Door Key V-1	Today I'm going to talk about the "front door" key to every business. The front door key, in my opinion, is the opportunity for doing business successfully. Let's face it. No matter what your business is going to be, you are going to have to have customers and some means of contacting those customers in order to succeed.
1. Two parts	There are two parts to this front door key to opportunity and they are choosing the "right" business and selecting the "right" location.
a. choose "right" business 1) let it choose you	Well, how do you start by choosing the right business? My answer to that is a very simple one. If you are smart, you will let the business choose you. Of

course, I don't mean you should wait until somebody taps you on the shoulder and says, "Here's the perfect business for you." What I do mean is that you will do well to only consider going into a business which by its nature fits your experience and personality and one in which you are vitally interested. Remember, way back there this morning when we talked about why businesses fail, and what it takes to make a good business manager? What we said was that you have to have experience and be motivated for business success, and the best way to do that is to get in the kind of business which you know something about and which "turns you on".

2) has good potential

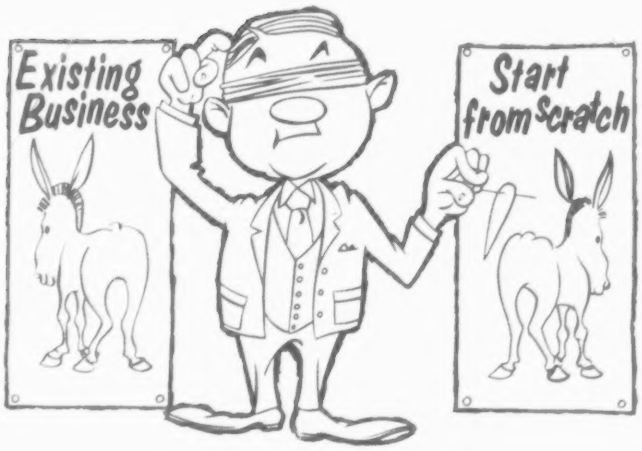
But that isn't all, because you have to choose a business which has a potential for success. Here again is where planning pays off. Before you select a business you need to know accurately how big the market potential will be, the special problems associated with that particular

3) experience and financing

business, and the long-term prospects for business growth. If you do know the answers to these questions and have adequate financing, plus direct experience in that line of business, then your chances of success are much greater.

Let's assume that you have chosen the "right" business and that you do have adequate capital and adequate experience, then comes the equally important task of obtaining the business. (Suggest the SBA book, "Buying & Selling a Small Business.)

4) whether to buy existing firm or start new one



Front Door Key V-2

Now comes the important question of whether or not you should purchase an existing business. It may interest you to know of all new small businesses started each year the statistics are almost equally divided between those who acquire an existing business and those who start from scratch to organize their own business firms. In other words, nearly one-half million new businesses are begun each year and another half-million businesses change hands. Obviously, the transfer of business ownership or the purchase of a going concern is very much a part of our present competitive system.

The fact that a business is already established does not mean, however, success is guaranteed to the new owner. Even buying a very successful enterprise is no guarantee that the success will be continuous. The same careful analysis of sales prospects, location factors, cost factors, and capital requirements must be made for the purchase of an existing business as for starting an entirely new one.

The importance of such an analysis, I think, is beyond debate. Studies seem to prove that too often little or no analysis has been made of the purchased firm's past history or future prospects. In one study done for SBA by the University of Washington, it was found that 28 percent of the businesses terminated were continued under different ownership. Of 2,369 business terminations studied, 663 businesses were transferred, and of these 205 had an annual sales volume of less than $10,000. This would suggest that the buyers of those 205 businesses made little or no analysis of the firms which they bought, because even if such firms could be operated profitably the net profit which one might expect could at best be a poor return on almost any size of capital investment.

That is not to say that all businesses which are being terminated are a bad buy, or that one should avoid buying an existing business. Many times the owner of a successful business has died or wishes to retire or has other good, sufficient reasons for terminating a successful business. However, a purchaser should be wary of a business for sale and be sure he understands fully the reasons for selling the business and the potential which the business offers.

a) advantages

Let us look, then, at some of the advantages and disadvantages of buying a going concern.

ADVANTAGES OF BUYING A GOING CONCERN

1. **Proven Location**
2. **Stock on Hand**
3. **Established Clientele**
4. **Advice of Previous Owner**

Front Door Key V-3

The advantages to buying a going concern are the location of the business, which has been proven, the fact that a going concern will have on hand merchandise and stock for sale. A going concern will have an established clientele, and it may be that the previous owner will be willing to advise you in getting started.

b) disadvantages

DISADVANTAGES OF BUYING A GOING CONCERN

1. **Price May be too High**
2. **May Inherit a Poor Reputation**
3. **Location may be Poor**
4. **Equipment Outdated or Poor Merchandise**
5. **Records May be Misleading**

Front Door Key V-4

There are, however, some disadvantages of buying a going concern. You may pay more than the business is worth if an accurate appraisal has not been made. The previous owner may have developed a poor reputation, both with customers and suppliers. The location may be poor, the equipment and fixtures outdated, credit accounts long overdue, or merchandise too old and of poor selection. Then, too, the previous owner may not be strictly honest concerning past sales, profits, costs of operating the business, local competition and other matters.

Let's list the factors which must be checked in order to successfully purchase a going concern.

c) other factors

First, do you know the real reason for terminating the business? While the owner may say that he is in poor health or desires to retire, he may be selling out because sales and profits have been declining.

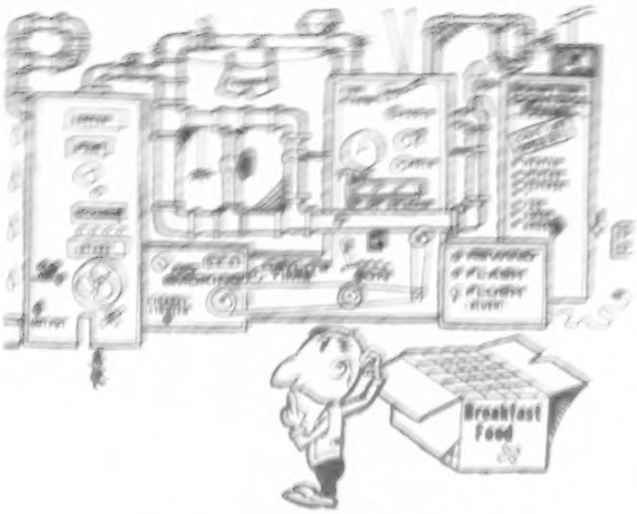
Secondly, check on the company's past sales and profits, preferably for a period of several years, if possible. You can't take anyone's word for it, but ask to see the firm's books -- an accountant can be most helpful in making such an analysis. Pay particular attention to trends in sales and profits. Ask yourself, "Do the records show a stable business? Does the business indicate a growth? Are there any hidden factors to consider?"

RECORDS
SECRET

Front Door Key V-5
(Turn off projector!)

Remember, the owner should give you access to all necessary information if he is being honest about sales, profits and other matters. It is quite ethical to ask to see all records, including the owner's income tax statements and bank deposits to verify the records. You should check with suppliers to verify past purchases. If possible, talk to customers to secure their evaluation of the firm's reputation and service.

A third factor to consider in purchasing a going concern is to study the operating costs of the business. By using the operating ratios which we talked about this morning, you can compare operating costs of the business being considered against those that are average for the industry. Here again, you would be well advised to ask the assistance of an accountant.



Front Door Key V-6

(Turn off projector!)

A fourth and very important factor to consider is the condition of equipment and a stock inventory. Be sure that the equipment will not need any costly repairs and replacements and that the stock will not have to be sold at a loss. Remember, you are investing a considerable amount of capital in stock and equipment, and be sure that the figures listed do not represent an over-investment.

Finally, study the other tangible assets which the firm lists which it may or may not have. If the firm is selling its accounts receivable, consider whether or not they will be collectable. Consider each item of the tangible assets as a separate item and evaluate it on its own merits. And don't forget the matter of "goodwill" which is the difference between the asking price and the cost attached to equipment fixtures, inventory, and other assets.

In the final analysis a question which must be answered is whether or not the asking price is worth the investment. Here caution should be exercised and the probable return compared with other types of investments. Utilize the services of an accountant and an attorney in making your analysis -- to check records and past operating experience, in checking prior contracts and leases, in closing in the deal and writing your own contracts.

5) franchises

Another way to acquire a business is to purchase a franchise.

A franchise is an agreement whereby the company grants to an individual or a company the rights to deal in a particular line of products or services. In effect the franchisee becomes a dealer for the franchisor. Buying a franchise is somewhat like buying a going business because the product line has already been established and a reputation has been developed.

a) advantages

Advantages of Franchise

- Risk is minimized
- Training is provided
- Chain operation benefits
- Business plan is proven
- Reputation is established

Front Door Key V-7

There are several advantages and disadvantages to be considered in purchasing a franchise. The advantages are: that the investor minimizes the risk of failure because he receives training and management assistance from a franchise company; that the owner has many of the advantages of a chain operation; that the owner starts with a proven plan for success; and the owner starts with a formidable reputation for his business.

b) disadvantages

Disadvantages of Franchise

- Loss of individual identity
- Lack of being own boss
- Limited control of growth
- Investment requirements
- Continuing obligation

Front Door Key V-8

However, there are disadvantages to be considered. To begin with the individual businessman loses identity as part of a large organization. Then, too, the franchise operator is not really his own boss because he must agree to a set of rigid rules and often must subject himself to supervision by the company. Franchisees have little or no say in the future development of the company and are limited in the amount of expansion which they may undertake. Also, there may be the disadvantage of a considerable investment in stock and a continuing obligation to purchase the company's products.

(Turn off projector!)

c) other factors

Before buying a franchise, a potential investor should very carefully examine his objectives and compare those against the requirements of the franchise contract. Like the existing business there are a number of factors which the buyer should consider before signing a franchise contract. In this regard the assistance of an attorney is most important. Among the factors to consider are: whether or not there is a franchise fee, how much total cash outlay will be required; exactly what does the purchase price include and not include; the ways in which the franchise agreement may be terminated, and the list of restrictions which the owner will be subject to as a franchise agent of the parent company. In addition the investor would do well to find out all he can about the parent company and its reputation for doing business.

One would be well advised to talk to one or more franchisees for the company being considered and find out just what their experience has been. If possible get a sample of the contract agreement and have it analyzed by competent legal counsel.

In any event, do not sign any agreement until you fully understand all of its requirements and you are willing to abide by its provisions.

b. choose "right location"

The next facet on the "front door" key of business opportunity is the selection of a proper location. Of course, if you buy an existing business, chances are that you inherit the location involved, and in the case of a franchise, a parent company may participate in site selection. If you are starting your own business, of course, consideration of locations will be determined early in the process.

The importance of location should not be minimized. Indeed, the location is one of the most important considerations in the establishment of any business. Too often a business will locate simply for the reason that a vacancy exists at the opportune time.

How many times have you seen "Vacancy" or "Going Out of Business" signs appear at the same location over and over again. Poor management notwithstanding, very often a poor location is to blame.

1) location factors

What are some of the important factors that confront a small businessman in selecting a proper location? First, let's look at a few of these factors to be considered in a town. What is the history of your type business in this town? Is the local Chamber of Commerce well supported, and does it represent the business community as it truly is? What is the attitude of the people and the businessmen toward community service? Do the town's civic accomplishments indicate that it is a growing and progressive community?

2) factors in site location

But that's not all. Now, let's look at some of the factors to be considered when choosing a particular site or building for a business.

FACTORS IN SITE SELECTION

1. **Customers**
2. **Buying Power**
3. **Transportation Convenience**
4. **Parking**
5. **Competition**
6. **Business Neighbors**
7. **Building**

Front Door Key V-9

a) customers

As always in business, the first thing to consider is the "customer". The first question you must ask about considering any location is what impact it will have on potential customers. You must define your trade area -- the territory where you expect to find your customers. The trade area may be a small neighborhood or several states, depending upon your type of business. But in any event, you must determine how the specific site in mind will serve the needs of your customers. Analyze your planned neighborhood and try to determine just what is happening or will happen in the future. Get professional assistance in determining these factors by contacting the local government, planning commission, or your trade association.

b) buying power

Another factor in site selection is buying power. This is particularly important, of of course, to the retail business. The key question is, do your potential customers have the money to afford your products or service? As a part of this study you should determine what the neighborhood buying habits are. Here, old-timers in the area can give you an idea of these factors. The more people you talk to the more you will learn.

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Sometimes conditions exist which are not readily apparent but are a vital concern to the success of the business.

A case in point is Richmond, Virginia. There the main street is a wide one named Broad Street. The corner of Broad and Sixth Street in the heart of the downtown section is considered to be an excellent business location due to two department stores located on the south side of the intersection. Together these stores do an excess of $60 million annual sales. However, on the north side of Broad at Sixth Street, small businesses have continually failed even though they are directly across the street from two highly successful stores. Why? For many years the north side of Broad has been known as the "wrong side" of Broad Street, and people were simply prejudiced about shopping there. Curiously, the reason goes back many years when the north side of Broad Street had a poor reputation while the south side had many fine residential homes. Businessmen coming into the area for the first time would be completely unaware of this and consequently might purchase this seemingly excellent location without checking on the buying or shopping habits of the public. Now, do you see why it's so important to get all the information you can before laying your capital on the line?

(Turn projector on!)

c) transportation convenience

Another factor in site selection is transportation. If you are in a retail business, the availability of public transportation may be important for location. If yours is a manufacturing or wholesale business, of course, truck and rail facilities are an important consideration. In either event, the ability of customers to reach you and for you to transport goods to them is important to success. For selecting a site, ask if there is a good system of primary and secondary roads available. Retailers, especially, will want to analyze the traffic passing the proposed location. Good planners will check the volume of traffic, the peak periods, and the direction of flow of traffic as an aid to planning the location of the business.

Another important question to ask these days is what is going to happen in the future to transportation facilities. Are new highways planned that will by-pass this business area? Is a new system of public transportation going to change the buying habits? What factor will traffic congestion play in the future of your business operation?

d) parking

Along these same lines and factors to be considered is the matter of parking. In this age of automobile travel parking is a fundamental consideration for almost any business. In the case of a retailer a parking facility is the lifeblood. Studies have shown that there should be a minimum ratio of parking space to floor space of 3 to 1, and even 4 to 1 is preferred. Even a manufacturer must consider the importance of parking, both for customers and employees. A good question to ask is whether or not there will be land for expansion of convenient parking. Many a small or strip-shopping center can't grow or increase sales because of limited parking. Only a change in zoning or the availability of new land can keep from choking new growth. Studies have revealed that shoppers will not walk more than 400 feet from their automobiles. You will do well, indeed, to consider the importance of parking for your planned business operations.

e) competition

The next point for consideration in site selection is competition. Check the number of stores, or other types of business establishments, that will be competing for the same dollar as you. Put yourself in the place of your customers and consider what reasons there would be for the customer to deal with you rather than with the competition. In some communities many stores of similar type locate close

(Turn projector off!)

to each other. For example, the jewelry stores in Philadelphia, or the fashionable women's stores in New York City. In these cases customers are in the habit of going to those areas to shop and compare prices. Competitors do very well side by side. But generally, there is a limit to competition density, and this must be considered. Another way to determine the amount of competition would be to compare the number of competitors with the national averages. In your folders you will find a form that's marked "Number of Inhabitants Per Store" by selected kinds of business. These are figures taken from the Bureau of Census, U.S. Department of Commerce. These figures are the average number of inhabitants per retail store. Suppose that you wanted to open up a records and musical instruments store in a small city. Well, national averages show that it takes 21,725 inhabitants to support a music store. If you were considering establishing a business in a town of 50,000, say, you would do well to reconsider if there are already three such establishments for only 50,000 people.

(Turn projector on!)

f) business neighbors

Another factor to consider in selecting a site is the matter of business neighbors. If you are a future retailer, certainly you will want to check into the type of neighboring stores, both from the standpoint of competition and also to determine the quality of goods and types of customers which your neighbors attract, because it is likely that these will also be your customers and they will have similar interests in quality of product. Of course, the more people that pass your store the better the chance of some of them coming in. So if your business is not one that in itself is not likely to generate a large volume of traffic, then you would do well to get close to one that does.

g) suitable building

The final consideration in site selection is the matter of a suitable building. You must determine if a proposed building is suitable for your type of business. Generally, this is no place for a compromise. Some points to check in regards to a building are the suitability of the space, the strength of floors and supporting members for the equipment which you will require, the convenience of loading and unloading, and the potential for growth. Be especially careful about the zoning requirements for the building involved. Do not sign any lease until you are certain that your type business will be allowed to exist at that location.

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All of these points must be considered in depth in order not to make a mistake about a location for your business. The cheapest rent is not always the most profitable, certainly. The best advice regarding selecting a location for any business is to follow all of the rules you can find and apply your own good judgment after you

2. Rules and judgment needed

have studied the factors as extensively as you possibly can.

As you can see there is much to be considered in this matter of business opportunity -- what I have been calling the "front door" key to business success. All of the points we have talked about in the last few minutes are important steps toward successfully beginning a business. Someone has said that it is a little bit like hiking, you have to take a lot of determined little steps in order to reach your destination.

You know, the wise man once said that we learn gratitude from the ungrateful, generosity from the greedy, and courtesy from the ill-mannered. So I would like to give you back now to the man from whom I learned wisdom.

MASTER OF CEREMONIES - 9

(time: 30 seconds)

XII. The Combination Lock

Now, we're going to talk about a different kind of key. In fact, when you get right down to it, this isn't a key in the usual sense at all. Yet it, too, is an essential ingredient in establishing a business success. What we're going to talk about now is the matter of business regulations, taxes and insurance. We call these the "combination lock",

Here to tell you about the combination lock is Mr. ________________, who is with ________________________.

"The Combination Lock" - BUSINESS REGULATIONS, TAXES AND INSURANCE
(time: 10 minutes)

THINGS TO DO

CONTENT OUTLINE

XII. The Combination Lock - Business Regulations, Taxes and Insurance

WHAT TO SAY

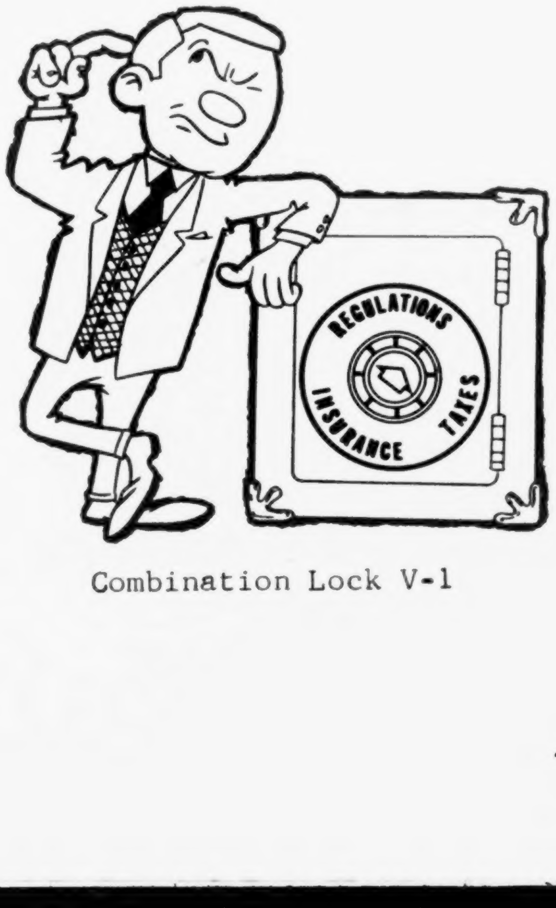
Perhaps you would be interested in how the combination lock came to be invented. By the late 1800's the art of lockmaking had become highly refined, and many lock manufacturers boasted that their locks were foolproof--that they could not be opened except by someone with the legitimate key.

In the window of one lock establishment in London a lock was displayed with a sign which said that it was absolutely burglar-proof. To back up this claim, the sign went on to say that anyone who could open this lock without the key would be paid a prize of £50. For more than a decade the lock in the window went unchallenged, but along came a locksmith from America who said that he could open it, that in fact he could open any lock. To the amazement of the lock manufacturers he proceeded to pick the lock to prove his point.

The locksmith's name was Yale, and the feat which he accomplished set him to thinking. Indeed, it seemed to him that it was impossible to make any key lock which could not somehow be picked by a talented locksmith. There ought to be a lock, he thought, which really was burglar-proof. Out of this challenge he invented the first combination lock, which didn't use a key at all, but rather a combination of numbers and a dial in order to cause the mechanism to line up and then open the lock.

A. Matters to be Lined Up

My subject of business regulations, taxes and insurance is a lot like a combination lock because these are matters which must be "lined up" in order for your business to function and to prosper.



Combination Lock V-1

Every potential business owner must become familiar with the various business regulations, tax requirements, and insurable risks which will apply to the type of business he intends to operate. These are quite technical and even difficult subjects to understand. And, since regulations, taxes, and insurance requirements, may vary by different state and city regulations, we will not attempt to cover them in depth during this Workshop, but we will indicate the more important points which you should investigate before starting your business.

Here again you should secure the services of a competent accountant, attorney and an insurance agent to advise you on these matters.

1. Professional advice

Professional advice pays for itself by helping you to avoid making mistakes. As you have no doubt heard many times, "Ignorance of the law is no defense." One of the biggest shortcomings of all small business owners today is their refusal to seek outside advice. Remember that seeking advice from professionals is no admission of inability or ineptness on the part of the business owner. On the contrary, it is a mark of good sense and intelligent management.

2. Regulations

Do you know, for example, if the business you contemplate starting will be considered in interstate commerce? If it is, then you will be subject to Federal laws and regulations in addition to state and municipal regulations. Obviously, an attorney must be consulted to help you make this determination.

Bear in mind that existing regulations and laws make no distinction between a small business organization and a giant corporation when it comes to a matter of regulatory legislation. As a result, the same burden of responsibility falls on a small company as on a large one, and it is necessary for the small business owner to be familiar with these responsibilities.

REGULATIONS
LARGE BUSINESS
SMALL BUSINESS

Combination Lock V-2

a. licenses	Licensing controls and requirements are imposed by both state and municipal governments on certain types of business. Local ordinances and health regulations will also affect the conduct of your business. Therefore, it is important that you visit the agencies in the town in which you plan to operate a business in order to find out just what regulations and licenses will be required in order for you to legally operate a business.
b. laws affecting business	Some laws determine the advertising and pricing practices which may be prohibited as a matter of consumer protection. These laws change from time to time, and it is necessary to get up-to-date advice as to which of these laws will affect your business.
c. employment practices	Also, there are laws which you must adhere to regarding employment practices. All states have laws setting minimum wages, hours of work, working conditions, and special laws regarding the employment of

children or women. Also there is the matter of workmen's compensation laws, which must be considered if you are to employ other persons.

My advice on dealing with the matter of business regulations would be to start a file of information just as you should start files on information dealing with the management of your proposed business. Then, I would contact the appropriate local agency and ask for a list of regulations affecting your business. Your trade association may be able to help in this respect and the local Chamber of Commerce may have some information available. Next, I would add to the file by contacting the state agency as to requirements and regulations. As to the Federal level you should add to your file information from the Internal Revenue Service and from the Interstate Commerce Commission if your business involves interstate commerce. Then, after you have collected this information you should study it until you understand it, and even then seek the advice of professional attorneys.

3. Taxes

The next item which must be set on the "combination lock" of doing business is the matter of taxes. The taxes which must be paid by you and your business are many and varied -- they are something which cannot be avoided, so it's best to know in advance what they are, how often they must be paid, and what bookkeeping and forms are necessary for full compliance with the law. Here again, you must secure competent, professional advice.

A most useful and helpful publication in the field of taxation is this one called, "Tax Guide for Small Business". This booklet was prepared by the Internal Revenue Service itself, and can be procured from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. zip code 20042. Also applications for this booklet can usually be found in your local post office. I would certainly recommend that you get this tax guide as a standard reference for your business files.

The point to remember about taxes is that you must take it upon yourself to find out what taxes apply to your business and pay them accordingly. Make a list of the taxes which you will be required to pay, and then to help assure that you meet the necessary deadlines write in the due dates on your business calendar along with planned dates for preparing the necessary forms. Death and taxes, they say, are inevitable, so the best policy is to plan in advance to meet all tax obligations.

4. Insurance

While most people would think that any intelligent businessman would have adequate insurance coverage, it is surprising how many firms are wiped out each year because of losses from fire, damage suits, or the death of a partner or major stockholder. It is important that you analyze, with the assistance of a reliable insurance agent or broker, the risks which will be involved in your business and the insurance coverage needed to minimize these risks.

a. fidelity

Among the diverse kinds of insurance which you might consider is the matter of fidelity bonds. Employee theft represents one of the largest potential losses of a business and is several times the usual loss involved in burglary or robbery. Even though one is as careful as possible in the selection of employees, mistakes are made, and dishonesty sometimes results. Often embezzlement is difficult to recognize, and many businesses have failed as a result.

b. burglary

The next kind of insurance which a business must consider is that of burglary or crime insurance, which protects a business against outside criminal activities. In other words, crimes committed by people not connected with the business. The cost of crime insurance depends on many factors, such as location of your business, prevention measures which you employ, and the types of safes and security equipment which are used. In any event, there is no substitute for this kind of protection, and you would do well to consider it as one of the first orders of business in establishing a firm.

c. workmen's compensation

Workmen's compensation and accident and health insurance are pretty much of a requirement if one is to employ other persons in the firm. The law requires that an employer provide his employees a safe place to work, that he hire competent supervisors and other employees, that he provide safe equipment and tools, and that the employer warn employees of any existing dangers. In most states the law requires that the employer pay for injuries received on the job and that the employee be compensated for the loss of pay due to an injury. Every employer needs the protection of workmen's compensation insurance, and this is a matter which must be taken up prior to the employment of any individual.

d. liability

The next kind of insurance which a firm needs is liability insurance. In conducting any business there are dangers imposed by the negligence of a businessman or his employees. Because negligence cases tend to be decided heavily in favor of the injured party, most businesses seek insurance protection against accidents which might arise out of the business's operations.

e. other insurance

There are, of course, many other forms of insurance with special application to specific businesses. If yours is a retail establishment, you might be interested in glass insurance. If you operate a fleet of trucks, then you'll have an interest in automobile and truck liability insurance.

It isn't possible for us to list all forms of insurance. You will need to talk to an insurance specialist about what you might need to protect your business investment.

B. Summary of "Combination Lock"

So there you have the "combination lock" of a business enterprise. I would summarize it by saying that every business must be aware of regulations, taxes and insurance. The best advice is to enlist the assistance of professionals in these fields and be guided by their recommendations. It all comes down to this--the only way to open a combination lock is to know the combination, and the people who best know the combination to regulations, taxes and insurance are the experts who specialize in these subjects. Let's hope that this is a combination that you will never forget as long as you are in business.

MASTER OF CEREMONIES - 10
(time: 30 seconds)

THINGS TO DO	WHAT TO SAY
XIII. The Control Key	Well, our ring of keys for a successful business is getting larger. So far we've had an ignition key, a golden key, a vault key, a skeleton key, a front door key, and in the last few minutes a combination lock. So what comes now? The next key for discussion is the "control key". I would venture to say this is one of the most overlooked of all keys by new businessmen, because by control key we mean the records that a business must keep in order to take stock of itself and to plan ahead. Here to speak to us about the importance of records in a business is Mr. ________, who is with ____________________________.

"The Control Key" - RECORDS
(time: 14 minutes)

THINGS TO DO	WHAT TO SAY
CONTENT OUTLINE VIII. The Control Key - Records	There's the story about a very rich businessman who was talking to his son's private teacher. The rich man said, "There's no sense in teaching to count over 100 because he will always be in a position to hire accountants to do his bookkeeping." "I know that," said the teacher, "but your son will want to be able to count his golf score at the country club."
A. Importance of records	No matter how you look at it, the matter of keeping Records is very important to the success of a business. The reasons for records should be obvious, but it bears repeating that a business cannot function properly without records. The reason is that the records represent the property involved in the conduct of business activities. Business activities require not only the matter of property but funds to purchase additional property or negotiate whatever

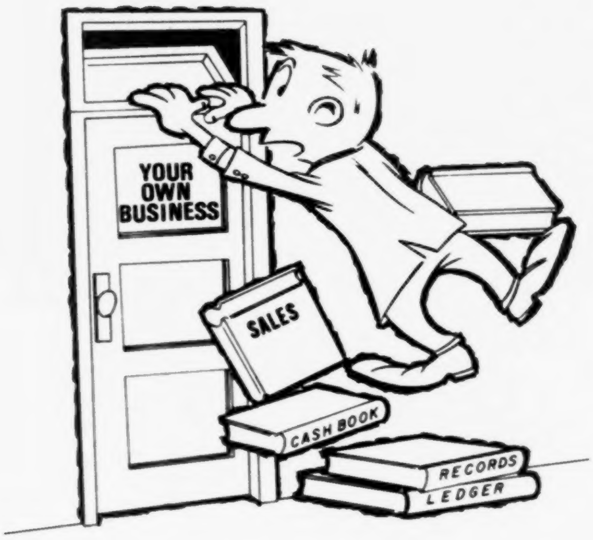
business is involved.

1. Records provide facts for decision-making

But in order to conduct a business, the businessman must know the effect of his business transactions on his property so that he can make wise decisions regarding his future operations. Among other things a businessman must know whether or not his proprietorship has increased or decreased, and he needs to know at any one time the total of his assets and the total of his liabilities.

2. Records are digest version of facts

Therefore, a business keeps records which are merely a digest version of the pertinent facts about the business's operations. Interestingly, studies have shown that a great majority of businesses which fail are the ones which have failed to keep adequate records. When you get right down to it, the records show the businessman whether he is making a profit, how much profit he is making, and whether or not his business is efficient and is growing.



Control Key V-1

Or if you want to look at it another way, business records are the method by which you determine the mistakes that you are making and help you correct those mistakes so that they will not occur again.

B. Kinds of records

What kind of records do you need? Well, you need just enough records to analyze your operations and guide you in making intelligent decisions.

When people ask me what records they should keep, I ask them what questions they have about their business. Let's just list the common questions which a business man or woman asks about a business and relate those questions to the kind of records which can answer them.

1. Some questions to answer

I guess the most common question is, "what is the business worth?" Having invested in a business an owner naturally wants some way of measuring whether his worth is increasing or decreasing.

Another question is "are we making a profit?" If the answer is "no", of course, the owner wants to know why not so he can do something about it. And even if a profit is being made, one usually wants to know if it is as much as it can be and from what part of the operations it comes.

Well, what other questions might a business owner have? One I think rather important is "what do we owe and", of course, "what is owed to us? "Surely we will need some kind of records to indicate this.

Then a business owner wants to be able to know "how much has been spent in the operation of the business." It will be helpful to separate these expenditures, perhaps into purchases and payroll expenses. Inasmuch as the government requires payroll records, anyway, we should figure on that as a separate set of records.

Still another question that a business person might ask is, "how much money do we have?" And along with that, "where did the money come from?" So we need some kind of record of cash and a record of sales receipts.

Of course, there are a great many other questions which a businessman might ask but let's just take these as an example of the records which a business should keep.

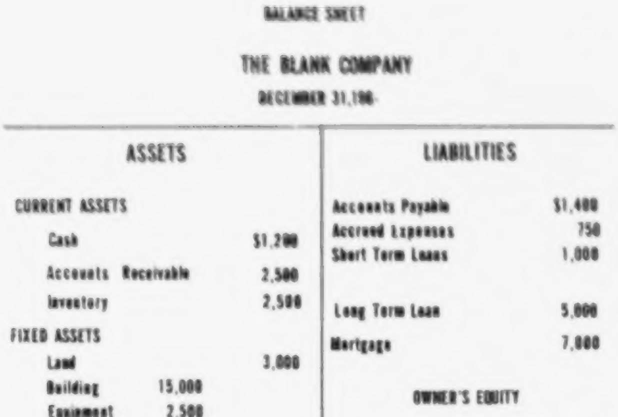
To answer that first question on worth we have the most common--almost universal record--a "balance sheet" or what is sometimes called a "financial statement."

2. Balance sheet (or financial statement)

A business owner must have some way of knowing his financial condition--what changes have taken place in the conduct of business. While the total records of a business will show the specific details of the operation, a broad picture of the firm's financial condition is needed. Periodically, usually once each month, a statement, or "balance sheet" is prepared to show whether the firm is declining or improving financially.

The balance sheet is simply a list of the firm's assets, whether they be accounts receivable, cash, equipment, property, or whatever against which is measured the firm's liabilities, or what the firm owes. In effect, the balance sheet is a simple, mathematical equation showing what the business is worth, what its obligations are and what the owner owns.

The usual form of a balance sheet is simply two lists; on the left the assets of a business, and on the right, a column of the liabilities and the owner's equity. Of course, in order to be accurate, the assets and the liabilities, including the owner's equity, should be equal.



BALANCE SHEET

THE BLANK COMPANY

DECEMBER 31,196-

ASSETS			LIABILITIES	
CURRENT ASSETS			Accounts Payable	$1,400
Cash		$1,200	Accrued Expenses	750
			Short Term Loans	1,000
Accounts Receivable		2,500		
Inventory		2,500	Long Term Loan	5,000
FIXED ASSETS			Mortgage	7,000
Land		3,000		
Building	15,000		OWNER'S EQUITY	
Equipment	2,500			
	17,500		John Q. Blank	5,000
Less Depreciation	5,500	12,000	Earned Surplus	1,050
		$21,200		$21,200

Control Key V-2

2. Profit and loss statement

To answer the "profit" question there is another universal financial report for a business called a "profit and loss statement", or what is sometimes called "income statement". In its simplest form the profit and loss statement lists the total sales, the cost of the goods sold, minus the expenses incurred, minus the taxes required in order to show the net profit or loss for the business operations during a specific period of time, usually for one month.

PROFIT AND LOSS STATEMENT

THE BLANK COMPANY

JANUARY 1,196- to DECEMBER 31,196-

SALES	$50,000
COST OF GOODS SOLD	35,000
GROSS MARGIN	15,000
EXPENSES	13,400
PROFIT BEFORE TAXES	1,600
TAXES	400
NET PROFIT	$1,200

Control Key V-3

The profit and loss statement or income statement may take one of several forms, but in essence is a statement of the total amount of goods or services sold less all of the expenses and costs levied against those sales in order to determine profit or loss from operations.

The purpose of the profit and loss statement is to help the proprietor of a business determine the efficiency of his operation and to locate problem areas for future planning. While the balance sheet shows the overall gain or loss and measures the growth of a business, the profit and loss statement measures the short-term operations of the business enterprise.

The most common method of measuring profit is to find out what is called, "net profit". This is usually figured on a monthly basis by taking the total sales for a month and subtracting from that figure the "costs of sales". The cost of sales is a total of all expenditures which went directly into whatever was sold. In the case of a retail store, this would be represented by the figure gotten from taking the opening inventory, plus purchases for the period, less the closing inventory.

When you know how much you have sold and the cost of sales, you subtract the cost of sales from total sales and the answer you get is the "gross profit". Then you must subtract all your expenses from the gross profit to find out the "net profit". That figure, then is the answer you were looking for as to whether or not you made a profit and how much it was.

3. Accounts payable and accounts receivable

On the questions of what is owed and what is owed to the business, these are usually answered by twin sets of records called "accounts payable" and "accounts receivable". The "accounts payable" record is essentially a list of each of your suppliers and the amount that is owed to each of them. The accounts payable records may take one of several forms but the important thing is that they show all the information, including the date of purchases and payments and the cash discounts taken for prompt payment.

The "accounts receivable" records are the reverse of the accounts payable and show a list of what each customer to whom you have extended credit owes you. It too should be a complete record of the account's history, showing what was purchased and when, all payments received and any discounts allowed. Needless to say, your accounting must be accurate and current. Records should never be left to collect before being entered.

Usually, the accounts payable and accounts receivable records are kept in "ledgers" which are merely a convenient way to keep the lists and from which to summarize the figures needed to determine assets and liabilities for preparation of the balance sheet.

Expenditures are usually recorded in what is called a "cash payments journal". A "journal" is a kind of running history of transactions whereas a ledger is a working record of an account. The cash journal answers the questions about expenditures, noting the date, the purpose and other pertinent information.

4. Cashbook

Often, the cash payments journal is combined with a "cash receipts journal" into what is called a "cashbook". It gives a running record of a firm's expenditures and receipts. In addition to answering the questions one might have about past receipts and payments, the cashbook gives the firms's cash position--in other words tells the owner how much cash is available

The form of the cash book is more involved than our time together today permits. However, I would urge you to seek professional advice on setting up your books and helping you interpret their meanings on a regular basis.

5. Payroll record

Earlier, we mentioned another kind of expenditure record that is important for any business which has employees. This is the "payroll record". You will need to keep a separate page on each employee which shows the gross and net amounts of salary paid, the dates of transactions, the amount of taxes withheld and where applicable other withholdings. Such records are a requirement and must be maintained for periods of time set by law.

However, quite apart from the legal requirements, a businessman would have sufficient reason for keeping such records. First, as a means of determining the costs of doing business, but also as a means of controlling those expenses and proving the amounts paid in case of discrepancy.

6. Other records

There are two other kinds of records which a small business will almost always keep. The first is called a "schedule of depreciation". As business is conducted, the equipment and furnishings of the firm decrease in value. The businessman needs to be able to calculate this decrease as a means of helping him determine his net worth. Besides that, the allowance for depreciation has important implications for the way taxes are figured on the business.

Depreciation schedules essentially are lists of the major equipment and furnishings which a company owns, a formula for determining depreciation over a specified period of time and a record of how much allowance has been made for past depreciation. Here, again, the advice of professionals is essential.

The other record which a businessman will want to keep is called a "withdrawal and capital record". In order to know that important answer to how much the business is worth, there needs to be a record which shows what the owner puts in or takes out of the business and a record of transactions which affect ownership. In the case of a sole proprietorship, this account will be quite simple. Conversely, the capital account for a corporation becomes considerably more difficult.

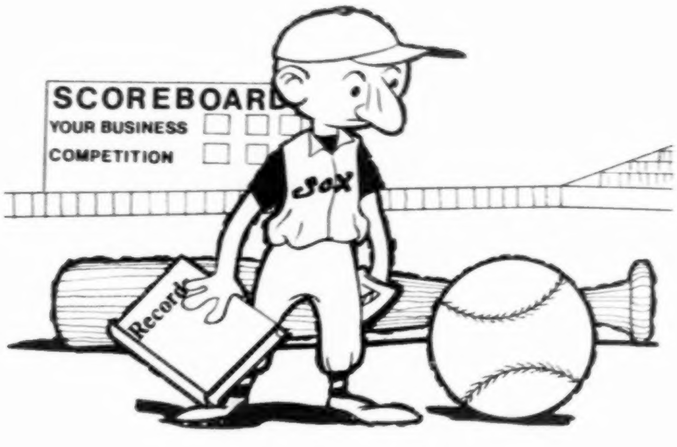
C. Summary

There are still other records of importance, of course. Completely apart from financial matters there are personnel files to be kept, documents to be filed and protected and a large variety of business papers. In a properly organized records system, the records become documentation for your other records.

However, the most elaborate system of records would be utterly useless if the business person does not put them to work. Often it isn't the lack of records that does a business in, but rather that the management didn't utilize the information available in the records.

Records need not be highly elaborate or greatly detailed in order to be useful. In fact, the more concise and efficient the records are, the better they serve and the less they cost to keep. But every business needs records in order to survive.

The reason we start out at the beginning calling "Records, The Control Key for Business", is that records are the meters which tell you how a business is going. Only in monitoring these meters and taking appropriate action can you expect to control the operations and future growth of the business.



Control Key V-4

Someone has said that being in business for yourself is a giant game. If that's so, it's a game in which one must keep score, and adequate business records is the way to do it.

MASTER OF CEREMONIES - 11

(time: 30 seconds)

THINGS TO DO	WHAT TO SAY
XIV. The Master Key	Up until now we've talked a lot about how your start a business and many of the things which you need to do to be successful in it. But we have saved until now the subject of actually managing a business -- in other words, the things that you must do in the day-to-day operation of the business in order to succeed. So now we're going to talk about the art of management -- what we call the "master key" to running a business. It is my pleasure to introduce to you now Mr. _______, who is ______________________________.

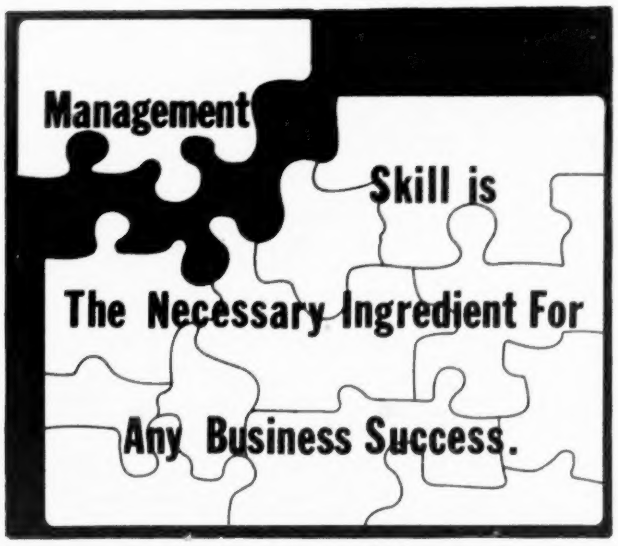
"The Master Key" - MANAGEMENT
(time: 15 minutes)

THINGS TO DO

CONTENT OUTLINE

XIV. The Master Key -- Management

A. Meaning of "master key"



Master Key V-1

WHAT TO SAY

If you look up "master key" in the dictionary you will find that it says that a master key is: "a key made so that it will open several locks differing somewhat from each other"; and it also says that a master key is "something of key importance in the solution of a difficulty, problem or dispute". If ever there was an appropriate description of good management, these definitions seem to be it, because management is the means of attaining business success even though businesses differ from each other. Certainly, management is "something of key importance in the solution of a difficulty, problem or dispute".

Most business failures, research studies show, are due to poor management. In other words, the business owner lacks the ability to find solutions, organize and plan, and control his business enterprise. There are many reasons for poor management: lack of knowledge of how to operate a particular business; little previous experience as a manager of a business; unbalanced experience; and finally just plain incompetence.

B. Art of Management

So let's spend a little time talking about the art of management. Admittedly, we have too little time and there is too much involved to permit us to cover more than a few of the more important aspects of management. But do go away with this: Management skill is the necessary ingredient for any business success.

There has been a great deal written about managing a small business. Your library is full of books on management techniques, plans and organization. The SBA spends a great deal of effort on management courses, booklets and aids. It is simply that all of the experts recognize the importance of management know-how in running any kind of a business.

What do we mean by managing a business? Is it simply opening the doors in the mornings, waiting on customers, placing orders with your suppliers? And doesn't every small business owner do these things every day? Of course he does, but frequently he's just going through the motions, he is not managing. Good management is simply a right way of doing things.

1. Definitions of management

a. operational

Management actually involves two different kinds of activity. The daily operation of the business, which we might call "operational management", involves such things as purchasing, pricing, promotion, advertising, credit and collections, inventory control, record-keeping, and employee relations. You can see that there are many fields in which you must develop competence.

b. administrative

The other kind of management activity is what we call "administrative management". This is the very basic function of running the business according to certain management principles. That sounds a lot more complicated than it really is. What it means is managing a business by setting up a regular, efficient way of doing things and making decisions. In other words, getting things done by using a plan rather than by the "seat of your pants".

C. An Example of the Management Process

Let me give you an example. A small grocery store owner is contemplating whether or not to hire a new cashier for his business. Certainly, the other cashiers seem very busy most of the time and complain about it. But rather than arbitrarily deciding to hire a new girl, the owner devises a plan to determine if more help is really needed. Well, he started out the management process by considering the problem. He defined it as cashiers being busy and customers having to wait. That's step one of the management process -- defining the problem.

MANAGEMENT PROCESS

1. **Define Problem**
2. **Get Information**
3. **Formulate a Plan**
4. **Make Commitment**
5. **Carry Out Plan**
6. **Follow-Up**

Master Key V-2

1. Defining the problem

2. Getting information	Having done that the owner decides he needs more facts. That's step two of the process -- gathering information. So the grocery owner studies his customers and talks to his employees. What he learns is that most of the time lost by cashiers is not in checking groceries but in sacking them.
3. Formulate a plan	Now that the owner has some information he can formulate a plan of action. Here, it seems obvious that what is needed is not a cashier but some means of sacking groceries. So his plan is to hire a sacker for peak periods. The cost will be lower than for a cashier and the problem will be solved.
4. Make commitment	But that doesn't end the management function. Having devised a plan the owner commits himself and the others to carrying it out. Commitment is step four.
5. Carry out plans	Next, the plan is carried out. That is step five. Here, the wise owner will

delegate authority, asking the other employees to help find a sacker.

6. The follow-up

And the final management step is the "follow-up", asking employees what progress has been made.

So there we have some of the steps in the management process. Learn to do these things and you'll be a better manager.

D. Other Management Functions

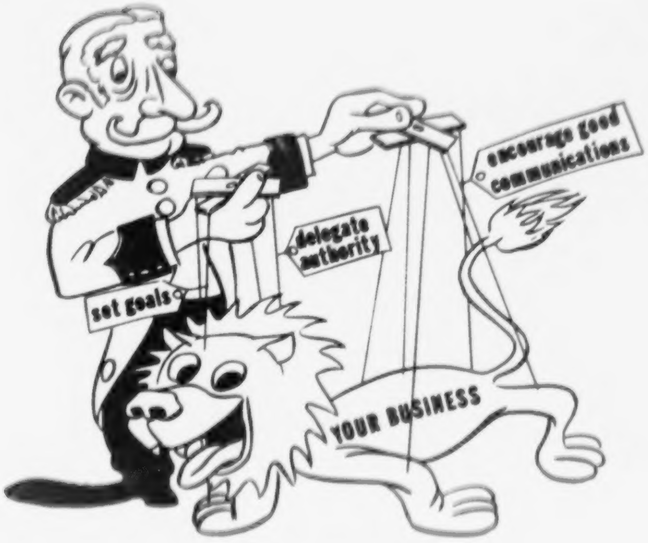
1. Organize

Another "administrative" management function is to organize. I mean that you must put your business activities into systematic arrangement.

As an example, you must organize your employees by arranging for specific duties for each to perform. You give them a system by which to accomplish their assigned tasks.

But you also must organize procedures for all phases of the business, including the way you carry out your own duties and functions.

2. Direct business activities



Master Key V-3

Still another thing which you should do as a good manager is to direct business activities. It is not just telling people that work for you what to do, when and how, but by training them to develop their confidence and sense of responsibility. John D. Rockefeller said one time, "Good management consists in showing average people how to do the work of superior people." Management is the ability to get things done, but not by yourself. As a director of your business you must learn to set goals, delegate authority, and encourage good communications.

3. Coordinate

Another thing that good managers do is coordinate business activities. To coordinate simply means to put in harmony, and that's what you'd do by seeing that each facet of business operations falls in its proper place and is timed to meet the schedules. It is making sure, for example, that when a customer orders an item that is not in stock, that it is properly ordered from the supplier.

4. Control

A final activity of a good manager is for you to control your business. Controls are simply the means for guiding a thing, and controls in business are the means by which you check on progress and guide the operations toward your specified goals. Remember, a little while ago we talked about records as being the control key, and controls are exactly what records are because they are devices used for controlling cash budgets, inventory controls, breakeven point analysis, and operating ratios. You need these controls because without controls in business you'd be no better off than in an automobile without controls -- a disastrous wreck is inevitable.

Well, that gives you some idea about the overall aspects of management. But let's be a little bit more specific.

E. Selling

Somebody has said that in business nothing happens until somebody sells something, so regardless of the business that you enter, selling is going to be a fundamental matter. Chances are that as the owner-manager of a small business, you will also be the sales manager of that business.

As the sales or marketing manager, you are going to have the responsibilities for setting marketing policy, such as the kinds of product you'll sell, and the prices at which you'll sell, and all the decisions that determine how and where you market your products. Then, too, you will probably be the marketing "expert" who derives sales plans and promotions for your products. And as if that isn't enough, the chances are that you will also direct the sales activities of your employees. Well, here again is the matter of the management process. You've got to start by finding out everything you can about the market which you hope to reach. This is a part of the planning. Then you must "organize" your firm by deciding who will sell, what you will sell, and for how much you will sell your products. This is all a part of organizing. Then you will direct the activities of all those involved in selling, and, of course, handle the jobs of coordinating and controlling as we have just discussed.

One thing which you will learn early in the process of sales management is that most companies require some form of sales promotion and advertising. Advertising and sales promotion is nothing more than creating the desire for your products on the part of your customers. Advertising and sales promotion are not just an occasional activity. Successful firms find it is an important and continuing part of regular business operations if one is to succeed.

F. Personnel

The owner-manager of a small business often finds that he must also be the personnel manager for his company. This means that often he must perform all of the functions of a personnel department: recruiting and selecting employees, training, classifying jobs, evaluating work performance, and handling personnel complaints.

1. Recruiting

The job of personnel administration in a small company begins with recruiting and selecting employees. This is not a procedure which can be handled by chance, but is one that requires the full attention of the manager and enough expenditure of time to locate the best possible employees for the jobs at hand. Contrary to popular belief, high-caliber employees are available to small businesses. Those who say they cannot compete with the large companies probably have not really tried, because many persons would prefer to fit into a smaller organization offering them greater opportunities. The best way to select the right person for the job is to write out the specifications for the job, then have prospective employees fill out a standard questionnaire form and conduct an employment interview. The better the manager knows the individual candidate for a job and the better he knows the job to be filled, the more effective he will be at getting the right employee.

2. Employee training

But this does not mean that you should expect employees to come to you already fully trained for a job assignment. An important part of management is to set up a training program whereby a definite schedule is followed in which the new employee performs increasingly difficult skills. This not only assures a thoroughly trained individual but is highly satisfying to the employee himself because he can see his progress.

Training -- particularly in ways of safety -- should be a continuing effort throughout the employment history of all individuals.

3. Turnover

Of course, every business has the problem of turnover. While some level of turnover seems to be necessary and even beneficial, too much turnover in employees is costly to the business and results in a poor quality of work. Therefore, an owner-manager would do well to apply his management skills in keeping his employees "interested". No one likes a dull job, but few jobs are inherently dull if they include a variety of activities and there is a real prospect for advancement. One of the best ways to keep employees interested in their jobs is to allow them to participate in company decisions which concern them. It's also good business to give employees the chance to make suggestions because they often have the best ideas as long as they work directly with the tasks, and making suggestions gives them a feeling of participation in the business management.

4. Communications

Another aspect of good personnel management is to provide direct communications between fellow employees and between supervisors and employees. Communications is a two-way street in business, not just downward to the lowest echelons, but also upward so that even the lowest and least experienced individual has a chance to communicate with management. It might seem to you that communications in a small business really takes care of itself, but the exchange of ideas can be obstructed anytime there is more than one individual involved in a job situation. Successful business managers suggest a good way of communicating with employees is to write memos, hold meetings, and invite employee suggestions.

G. Purchasing

The small businessman, of course, wears many hats. In addition to being marketing specialist and personnel administrator, he often has to be the "purchasing agent". Here again the principles of good management apply whereby the owner-manager collects all the data he can about prices and the availability of goods, then organizes this information so that he can make decisions about the products which he wishes to buy. Any intelligent purchaser has the advantage of competitive pricing. He learns to shop around for the best quality and the best price for his purposes.

H. Other Factors

Of course, there are many other areas in which management techniques are necessary. Credit and collections require management skills, as do marketing research, cost analysis, quality control, and materials handling. While our time does not permit a full exploration of all of the facets of management, the prospective businessman is urged to study all that he can about management procedures and techniques in order that he will be well prepared for the job of management decisions.

I. Summary

I can sum all this up, I think, by going back to the analogy of our master key.

When a locksmith designs a master key he has to have a plan based on his knowledge of characteristics of the several locks which the key must open. And this is exactly the same as a plan in business management. But in order to fashion a key to work in the lock, the locksmith has to have the proper kind of blank -- in other words, a potential key device, and this is what the business manager has when he organizes management skills. Next the locksmith takes the blank key and the plan that he has made and carefully cuts the slots in just the right position and at the right angle in order to fit the locks. And this is what the manager does when he directs a business's activities. And then the locksmith takes the key which has been cut to the proper size and he carefully finishes it so that it's smooth and will work easily. This is what a manager does in the process of coordinating business activities. And finally the locksmith takes the key which he has made and he places it in the lock and he turns it in order to accomplish the objective of opening the door. This is what the manager does when he controls his business. So management is the "master key" for business, and it's one of the most important keys you'll every carry and use in your business life.

MASTER OF CEREMONIES - 12

(time: 30 seconds)

THINGS TO DO	WHAT TO SAY
XV. A List of Keys	After one of these workships, a man came up to me and said, "All of this is very interesting, but is it all really necessary?" I told him that I believed it was all very necessary, that is if you want to have a successful business. I don't know any short cuts.
	But perhaps it would help if we could actually see examples of how these keys are used in typical businesses. So we have prepared a motion picture in order to demonstrate how these ideas are put to use in business. We call it "Three Times Three" to represent the ways that three businessmen use the nine keys to success which have been the subject of our sessions today.
(Show the film, "Three Times Three")	May we have the film, please?

MASTER OF CEREMONIES - 12a
(time: 2-3 minutes)

THINGS TO DO

WHAT TO SAY

XV. A List of Keys

In those three examples in the film, I'm sure you got the message that each of the businessmen featured used three keys to business success. As the film said, "Every business has to use all nine of those keys to success." Those are the same keys we've been talking about here today so maybe we should list them.

Who wants to start off with one of the keys in the film?

NOTE: The list should include:

Personal ability
Financial factors
Sources of capital
Business records
Outside assistance and information
Management techniques
Business opportunity
Organization and planning
Regulations, taxes and insurance

Now, let's add to that. This morning I asked you to keep a list. What other keys do you think we should have?

MASTER OF CEREMONIES - 13

(time: 30 seconds)

THINGS TO DO	WHAT TO SAY
XVI. Introduction - The Borrowed Key	Well, I think we have a pretty good list of keys. But there is one more that I would like for you to add to the ring. It's a little different from the other keys. We call it the "borrowed key" and it stands for the information, self-training, and outside assistance that a businessman utilizes for his success. It's my pleasure to introduce to you now Mr. ____________ ______________________________ of the ______________________________. Mr. ______________________, to tell us about the borrowed key".

"The Borrowed Key" - INFORMATION, SELF-TRAINING, AND OUTSIDE ASSISTANCE

(time: 15 minutes)

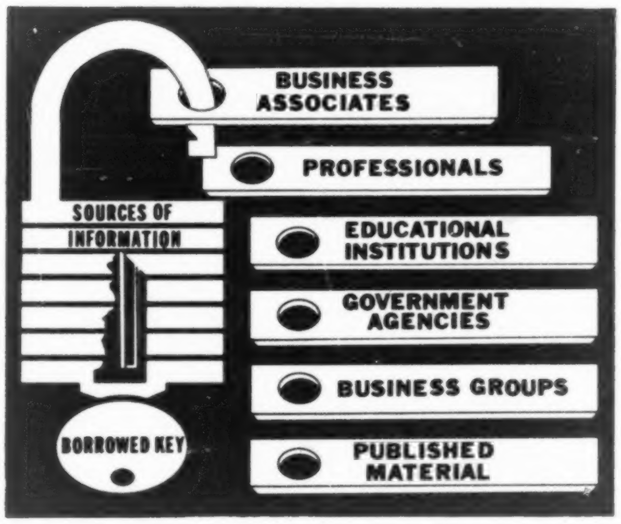
THINGS TO DO

CONTENT OUTLINE

(The speaker places the borrowed key placard on the easel and takes his place at the podium.)

XVI. The Borrowed Key - Information, Self-Training, and Outside Assistance

A. Business knowledge


BUSINESS ASSOCIATES
PROFESSIONALS
SOURCES OF INFORMATION
EDUCATIONAL INSTITUTIONS
GOVERNMENT AGENCIES
BUSINESS GROUPS
BORROWED KEY
PUBLISHED MATERIAL

Borrowed Key V-1

WHAT TO SAY

Perhaps you are of the old school that doesn't believe in borrowing things. I must admit that this can sometimes lead to trouble. But there's one thing which certainly should be borrowed by a businessman, and that is knowledge.

Knowledge about business comes in many forms: information, self-training and outside assistance. We call this knowledge the "borrowed key" because it comes from outside of the small business organization. When you think about it, this borrowed knowledge is the great equalizer in business because it brings to even the very small business enterprise a wealth of specialized management experience, thus allowing the small businessman the same special resources that are available to the large business firm.

And yet, strangely, small businessmen are too often reluctant to borrow knowledge.

Sadly, you often hear one say, "I know what's best for my business so I don't need outside help." Such an attitude is hopelessly naive. To begin with no man can be expected to be an expert at every single field of business endeavor. But even more importantly, ideas from the outside are what challenge a businessman and inspire other ways of doing things. Besides that, such a viewpoint tends to be more objective--in other words, an outsider can see things which the businessman could never see.

B. Sources of information

Let's consider some of the sources of information available to you from which you can borrow knowledge for the successful operation of a business.

One of the best places to "borrow" knowledge is from people, from business associates with whom you come in contact every day. Employees, customers, suppliers, and other businessmen are all valuable sources of ideas if you will only give

1. business associates

them a chance to help you solve your problems. That is not to say that every single piece of advice must be taken at face value. A part of the successful utilization of knowledge is to know what to accept and what to reject.

2. professional help

a. bankers

The second major source of information is from the professionals that are highly qualified to assist a businessman with special problems. This morning we talked specifically about bankers and the importance of establishing a relationship with one. Here is a specialist with expert knowledge of business and finances. Usually, his assistance is available merely for the asking. Not only will the banker be able to provide you with direct information, but he can be a valuable assistant in helping you to locate other information which you require to operate your business.

b. accountants

Another professional whom you should know is an accountant. Accountants obtain a wide experience in analyzing a firm's financial

	records. It is often said that an accountant pays for his fee many times over. This is simply because his guidance can keep you from making drastic mistakes in financial management.
c. other professionals	There are other professionals you may want to consult from time to time. These include lawyers, management consultants, and marketing specialists.
3. educational sources	An increasing source of information and knowledge is the educational institution. Many offer regular management courses which are specifically aimed at the small businessman. The Small Business Administration, for example, co-sponsors management courses with community groups and colleges in order for the small businessman to develop his management skills. Usually, the management courses are offered in the evening when more businessmen are available to participate, and are organized

to be of maximum benefit to small businesses. Oftentimes communities will sponsor business courses through the Chambers of Commerce or some other business association. Then, too, many state governments and universities offer distributive education courses in order to improve the professionalism of the business community.

4. trade associations

Today you've heard a great deal about the assistance of trade associations. If your kind of business has a trade association you would do well to look into it as a resource of information. Associations have the advantage of being able to assemble specific information on your particular industry, and they can give you guideposts by which to judge the activities of your particular firm.

5. government sources

Another source of knowledge is that available from government agencies that work with business. This Workshop today is an example of how a government agency provides assistance to businessmen. The SBA with its very special mandate regarding small businesses is particularly qualified to provide business with a wide range of services. The pamphlets and publications produced by SBA are especially designed to add to the store of a businessman's knowledge. Many of SBA's "aids" are available without charge, and the SBA is able to assist with special problems, either by getting you in touch with a SCORE counsellor or an SBA specialist.

Other agencies in state and federal government also can assist the businessman. The Department of Commerce, for example, is a treasure house of information about business markets and statistics which affect decisions in a business. The Department of Labor, the Department of the Treasury, the Federal Trade Commission, all have offices to assist the businessman with problems concerned with one of these agencies.

For many years the U.S. Department of Agriculture has assisted agriculturally oriented businesses through its Extension Service. The Federal Reserve System can give you information on the business climate and economic trends which may affect your business. Your State Employment Service is a source of information about wages and labor laws, and they usually can also serve as a source of employees by getting you in touch with job seekers.

6. publications

a. libraries

b. other sources of printed information

Best of all -- there are publications which are available from many sources and give valuable assistance to the businessman on virtually any subject he desires. Every community has libraries virtually full of information valuable to businessmen. All it takes is a desire to learn and a little time and effort in order to make the store of knowledge part of your experience. Newspapers, magazines, and trade papers continuously carry articles of valuable information. Many universities put out bulletins and newsletters of specific interest to small business. There are even research institutes devoted to problems of the small business, and they, too, publish reports.

c. SBA publications

To give you an idea of the publications available from just one agency we have included a copy of the Small Business Administration's publication list. You will find it in the envelope of materials.

(Holds up copies of the free Management Assistance publications and for sale booklets.)

The publications lists come in two parts. This first one is entitled "Free Management Assistance Publications". It is a list of all of the aids that are available from SBA without charge simply by filling out one of these publications lists and requesting the aids which you would find useful. This other one is "For Sale

Booklets" and is a list of Small Business Administration booklets which are for sale from the Government Printing Office or from the U.S. Department of Commerce.

We could go on and on describing for you all of the kinds of materials that are available, but suffice it to say that there is a treasure house of information and know-how available to every businessman. Utilizing the information resources can make the difference between a business success and failure.

d. Train Yourself

A lot of the knowledge you gain -- knowledge which you borrow -- will have to be self-administered. You can train yourself if you are willing to work at it. Usually, it's a matter of simply setting the same kinds of plans and organization that can be a part of your management skills.

1) Develop own course of instruction

You can literally develop your own course of instruction by outlining the information which you hope to gain and then assembling

2) Set objectives

the sources and studying them diligently. Of course, you can also avail yourself of correspondence courses in the areas of your business needs. The main thing is to set your objectives firmly and then stay at it until you have completed your learning project.

Well, there you have the "borrowed key". It is by no means the final key but it's an important one. Keep yourself eager to learn new ideas and study every facet of your business in all the depth you can. Whatever you do, don't be like the little boy who went to his father with a question when his father was very busy, and his father said, "Why don't you ask your mother?" To which the little boy replied, "Because I didn't want to know that much about it."

MASTER OF CEREMONIES - 14

(time: 20 seconds)

THINGS TO DO	WHAT TO SAY
XVII. Question Period	Unless I miss my guess, at this point you have a thousand questions still unanswered. Unfortunately, we won't be able to answer every one of them today. I am going to ask our speakers to take their places at the head table so that in the remaining time we can discuss the questions which you have. Who would like to begin? Who has the first question?

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